

Swain County, North Carolina
Financial Statements
June 30, 2018

Turner & Company CPAs P.A.

31 Peachtree Street • Murphy, NC 28906 • Phone (828) 837-8188 • Fax (828) 837-5313

Swain County, North Carolina
Table of Contents
June 30, 2018

<u>Exhibit</u>	<u>Page</u>
INTRODUCTORY INFORMATION	i
List of Principal Officials	ii
FINANCIAL SECTION	iii
Independent Auditors' Report	1 - 2
Management's Discussion and Analysis	3 - 10
Basic Financial Statements:	11
Government-Wide Financial Statements:	
1 Statement of Net Position	12
2 Statement of Activities	13
Fund Financial Statements:	
3 Balance Sheet - Governmental Funds	14 - 15
4 Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	16
5 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
6 Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	18
7 Statement of Net Position - Proprietary Fund	19
8 Statement of Revenues, Expenditures, and Changes in Fund Net Position - Proprietary Fund	20
9 Statement of Cash Flows - Proprietary Fund	21
10 Statement of Fiduciary Net Position	22
Notes of the Financial Statements	23 - 54
Required Supplemental Financial Data:	55
Schedule of Proportionate Share of Net Pension Liability (Asset) for Local Governmental Employees' Retirement System	56
Schedule of Contributions to Local Government Employees' Retirement System	57
Schedule of Proportionate Share of Net Pension Liability (Asset) for Register of Deeds' Supplemental Pension Fund	58
Schedule of Contributions to Registers of Deeds' Supplemental Pension Fund	59
Schedule of Changes in Total Pension Liability (LEO)	60

Swain County, North Carolina
Table of Contents
June 30, 2018

Schedule of Total Pension Liability as a Percentage of Covered Payroll (LEO)	61
Schedule of Changes in the Total OPEB Liability and Related Ratios	62
Combining and Individual Fund Statements and Schedules:	63
Major Governmental Funds:	64
Schedule of Revenues, Expenditures, and Changes in Fund Balances - General Fund - Consolidated	65
Schedule of Revenues, Expenditures, and Changes in Fund Balances - General Fund - Budget and Actual	66 - 73
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Schools Capital Reserve Fund- Budget and Actual	74
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Economic Development Fund - Budget and Actual	75
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Public Safety Capital Reserve Fund - Budget and Actual	76
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Law Enforcement Center Capital Reserve Fund - Budget and Actual	77
Permanent Fund:	78
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Permanent Fund - Budget and Actual	79
Non-major Governmental Funds:	80
Combining Balance Sheet - Non-major Governmental Funds - Special Revenue Funds	81
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-major Governmental Funds - Special Revenue Funds	82
Schedules of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual	
Emergency Telephone System Fund	83
Family Preservation Grant Fund	84
Enterprise Fund:	85
Schedule of Revenues, Expenditures - Budget and Actual (non-GAAP) - Solid Waste Operation	86 - 87
Agency Funds:	88
Combining Statement of Fiduciary Assets and Liabilities	89
Other Schedules:	90
General Fund Schedule of Ad Valorem Taxes Receivable	91
Analysis of Current Tax Levy - County Wide Levy	92
Schedule of Transfers	93

Swain County, North Carolina
Table of Contents
June 30, 2018

Compliance Section:	94
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Governmental Auditing Standards</i>	95 - 96
Independent Auditors' Report on Compliance With Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance With OMB Uniform Guidance and the State Single Audit Implementation Act	97 - 98
Independent Auditors' Report On Compliance With Requirements Applicable To Each Major State Program And Internal Control Over Compliance; In Accordance With OMB Uniform Guidance and the State Single Audit Implementation Act	99 - 100
Schedule of Findings and Questioned Costs	101 - 104
Corrective Action Plan	105
Summary Schedule of Prior Year Audit Findings	106
Schedule of Expenditures of Federal and State Awards	107 - 110

INTRODUCTORY INFORMATION

FINANCIAL SECTION

Swain County, North Carolina

List of Principal Officials

As of June 30, 2018

BOARD OF COUNTY COMMISSIONERS

Phil Carson - Chairman

Ben Bushyhead - Vice Chairman

Danny Burns - Commissioner

Kenneth Parton - Commissioner

Roger Parsons - Commissioner

COUNTY OFFICIALS

Kevin S. King - County Manager

Dean Kowal - Finance Officer

Cindi C. Woodard - Clerk to the Board

Diana Williamson Kirkland - Register of Deeds

Peggy Hyde - Tax Office Administrator

Curtis Cochran - Sheriff

Allison Cochran - Health Director

Sheila Sutton - Director of Social Services

Joan Weeks - Director of Elections

Turner & Company CPAs P.A.

31 Peachtree Street • Murphy, NC 28906 • Phone (828) 837-8188 • Fax (828) 837-5313

Independent Auditors' Report

To the Board of County Commissioners
Swain County, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Swain County, North Carolina, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Swain County Tourist Development Authority. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Swain County Tourist Development Authority, is based solely on the report of the other auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Swain County Tourist Development Authority were not audited in accordance with Government Auditing Standards.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Swain County as of June 30, 2018 and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note XI to the financial statements, for the year ended June 30, 2018, the County adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 10, the Local Government Employees' Retirement System Schedules of the County's Proportionate Share of the Net Pension Liability (Asset) and County Contributions, pages 56 through 57, the Register of Deeds' Supplemental Pension Fund Schedules of the County's Proportionate Share of the Net Pension Liability (Asset) and County Contributions on pages 58 and 59, the Law Enforcement Officers' Special Separation Allowance Schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll pages 60 and 61, and the Other Post-Employment Benefits Schedule of Changes in the Total OPEB Liability and Related Ratios, on page 63, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economical, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of Swain County, North Carolina. The combining and individual fund financial statements, budgetary schedules, other schedules, as well as the accompanying Schedule of Expenditures of Federal and State Awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards were derived from, and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of other auditors, the combining and individual fund financial statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 13, 2018, on our consideration of Swain County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Swain County's internal control over financial reporting and compliance.



Turner & Company CPAs P.A.
Murphy, North Carolina
December 13, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

Swain County, North Carolina
Management's Discussion and Analysis
June 30, 2018

As management of Swain County, we offer readers of Swain County's financial statements this narrative overview and analysis of the financial activities of Swain County for the fiscal year ended June 30, 2018. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

Financial Highlights

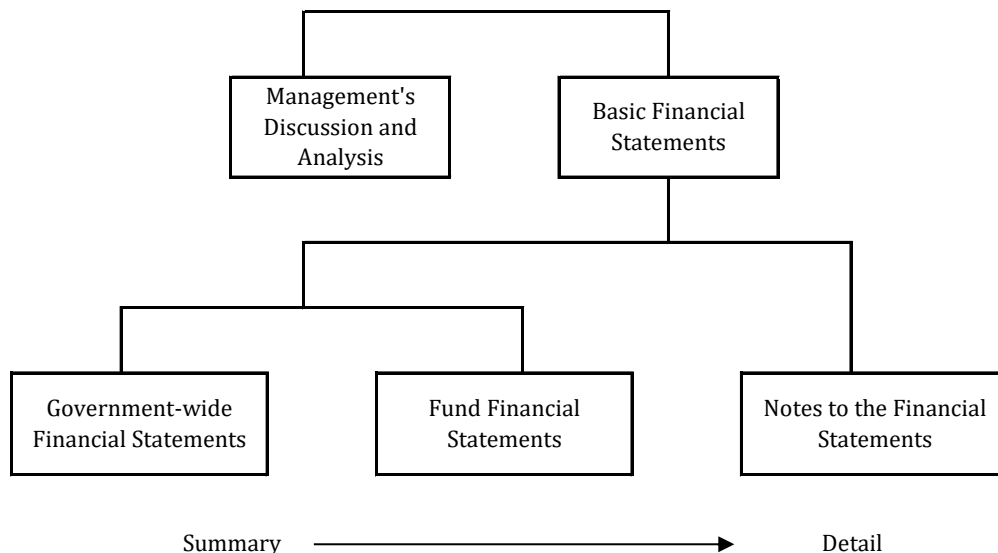
- The assets and deferred outflows of resources of Swain County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$64,121,959 (net position).
- The government's total net position increased by \$38,677,009, primarily due to management's focus on monitoring spending and maximizing revenue collection.
- As of the close of the current fiscal year, Swain County's governmental funds reported combined ending fund balances of \$60,956,033, after a net increase in fund balance of \$34,244,165. Approximately 90.91% of this total amount, or \$55,417,756, is restricted or non-spendable.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,063,859, or 20.38% of total general fund expenditures for the fiscal year.
- Swain County's total debt decreased by \$827,420 (4.77%) during the current fiscal year. The County entered into an installment purchase contract dated July 19, 2017, in the amount of \$390,000 for HVAC improvements at Swain West Elementary School and camera installations at the law enforcement center. A capital lease agreement was executed on July 1, 2017, in the amount of \$27,132 for the lease of a forklift. The primary factor in the net decrease in debt was due to the scheduled principal payments on debt already outstanding from the prior fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Swain County's basic financial statements. The County's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the County through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of Swain County.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the County's financial status.

The next statements (Exhibits 3 through 10) are Fund Financial Statements. These statements focus on the activities of the individual parts of the County's government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements of Swain County: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the County's non-major governmental funds and internal service funds, all of which are added together in one column on the basic financial statements. Budgetary information required by the General Statutes also can be found in this part of the statements.

Following the notes is the required supplemental information. This section contains information about the County's pension plan and other post employment benefits.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the County's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the County's financial status as a whole.

The two government-wide statements report the County's net position and how it has changed. Net position is the difference between the County's total assets and deferred outflows of resources and the total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the County's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the County's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the County charges customers to provide. This includes the solid waste (landfill) operation. The final category is the component unit. The Swain County Tourist Development Authority, which was created to promote activities and programs, which encourage travel and tourism in the area, is a public authority under North Carolina Statutes and is governed by a 5-member appointed board of directors.

The government-wide financial statements are on Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements provide a more detailed look at the County's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Swain County, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the County's budget ordinance. All of the funds of Swain County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the County's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting*. This method also has a current financial resources focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the County's programs. The relationship between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

Swain County adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the County, the management of the County, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the County to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the County complied with the budget ordinance and whether or not the County succeeded in providing the services as planned when the budget was adopted.

The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Board; 2) the final budget as amended by the Board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds – Swain County has one kind of proprietary fund. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. This fund is used to account for the solid waste operations. These funds are the same as those separate activities shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Fiduciary Funds - Fiduciary funds are used to account for the resources held for the benefit of parties outside the government. Swain County, North Carolina has five agency funds.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 23 of this report.

Other Information - In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning Swain County's progress in funding its obligation to provide pension benefits to its employees. Supplementary information can be found beginning on page 55 of this report.

Government-Wide Financial Analysis

Swain County, North Carolina's Net Position

Figure 2

	Governmental Activities		Business Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 61,712,268	\$ 23,078,003	\$ 36,459	\$ 39,149	\$ 61,748,727	\$ 23,117,152
Internal balances	287,122	337,307	(287,122)	(337,307)	-	-
Capital assets	22,676,562	23,778,318	573,415	623,670	23,249,977	24,401,988
Total assets	84,675,952	47,193,628	322,752	325,512	84,998,704	47,519,140
Total deferred outflows of resources	1,345,030	2,061,994	54,579	84,974	1,399,609	2,146,968
Long-term liabilities outstanding	19,382,501	17,182,831	174,395	-	19,556,896	17,182,831
Other liabilities	2,315,972	5,336,188	60,182	170,240	2,376,154	5,506,428
Total liabilities	21,698,473	22,519,019	234,577	170,240	21,933,050	22,689,259
Total deferred inflows of resources	333,004	198,073	10,300	5,463	343,304	203,536
Net position:						
Net investment in capital assets	11,590,749	11,768,874	551,208	623,670	12,141,957	12,392,544
Restricted	55,470,564	16,000,146	-	-	55,470,564	16,000,146
Unrestricted	(3,071,808)	(1,567,797)	(418,754)	(388,887)	(3,490,562)	(1,956,684)
Total net position	\$ 63,989,505	\$ 26,201,223	\$ 132,454	\$ 234,783	\$ 64,121,959	\$ 26,436,006

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of Swain County exceeded liabilities by \$64,121,959 as of June 30, 2018. The County's net position increased by \$38,677,009 for the fiscal year ended June 30, 2018. One of the largest portions \$12,141,957 (18.94%) reflects the County's net investment in capital assets (e.g. land, buildings, machinery, and equipment). Swain County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Swain County's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of Swain County's net position \$55,470,564 (86.51%) represents resources that are subject to external restrictions on how they may be used. The remaining unrestricted balance of net position is a deficit of \$3,490,562 (5.45%). Unrestricted net position is negative primarily because under North Carolina law, the County is responsible for providing capital funding for the school system. The County has chosen to meet its legal obligation to provide the school system capital funding by using debt financing. The assets, funded by the County, are titled to and utilized by the school system. Since the County, as the issuing government, acquires no assets, the County has incurred a liability without a corresponding increase in assets.

Several particular aspects of the County's financial operations positively influenced the total unrestricted governmental net position:

- Continued diligence in the collection of property taxes by maintaining a collection percentage of 96.19% (ad valorem), lower than the statewide average of 98.92%, and slightly lower than the county average of 97.09% for counties with populations below 25,000. The percentage collection rate increased slightly due to increased vigilance on the part of the Tax Collector to collect taxes in a timely manner.
- The County has maintained stricter policies on spending and implemented cost savings measures despite an increase in overall expenditures.
- Management's proactive stance on monitoring spending across County departments to ensure compliance with the budget.

Swain County, North Carolina's Changes in Net Position

Figure 3

	Governmental Activities		Business Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 3,388,985	\$ 3,423,422	\$ 836,436	\$ 906,230	\$ 4,225,421	\$ 4,329,652
Operating grants and contributions	4,643,228	4,898,088	-	-	4,643,228	4,898,088
Capital grants and contributions	-	2,181,684	-	-	-	2,181,684
General revenues:						
Property taxes	6,070,708	5,907,347	-	-	6,070,708	5,907,347
Other taxes	3,776,746	4,577,477	-	-	3,776,746	4,577,477
Grants and contributions not restricted to specific programs	1,323,063	1,455,600	40,691	-	1,363,754	1,455,600
Interest earned on investments	868,138	112,046	-	-	868,138	112,046
Total revenues	20,070,868	22,555,664	877,127	906,230	20,947,995	23,461,894
Expenses:						
General government	4,318,897	5,385,025	-	-	4,318,897	5,385,025
Public safety	5,108,508	5,172,899	-	-	5,108,508	5,172,899
Economic and physical development	697,957	1,630,642	-	-	697,957	1,630,642
Environmental protection	103,488	145,862	-	-	103,488	145,862
Human services	7,694,532	7,819,136	-	-	7,694,532	7,819,136
Cultural and recreation	745,261	798,801	-	-	745,261	798,801
Education	1,176,536	1,226,674	-	-	1,176,536	1,226,674
Interest on long-term debt	591,023	581,408	-	-	591,023	581,408
Solid waste	-	-	1,034,784	950,515	1,034,784	950,515
Total expenses	20,436,202	22,760,447	1,034,784	950,515	21,470,986	23,710,962
Change in net position before transfers	(365,334)	(204,783)	(157,657)	(44,285)	(522,991)	(249,068)
Transfers	(99,732)	(74,731)	99,732	74,731	-	-
Extraordinary item	39,200,000	-	-	-	39,200,000	-
Change in net position after transfers	38,734,934	(279,514)	(57,925)	30,446	38,677,009	(249,068)
Net position, beginning, previously reported	26,201,223	26,511,380	234,783	204,337	26,436,006	26,715,717
Net position, beginning, restated	25,254,571	26,480,737	190,379	204,337	25,444,950	26,685,074
Net position, ending	\$ 63,989,505	\$ 26,201,223	\$ 132,454	\$ 234,783	\$ 64,121,959	\$ 26,436,006

Governmental activities. Governmental activities increased the County's net position by \$38,734,934 thereby accounting for 100.15% of the total growth in the net position of Swain County. Key elements of this increase are as follows:

- Maintenance of the County's high tax collection rate of 95.97% (excluding motor vehicles).
- Property taxes provided 31.02% of funding at \$6,070,708.
- The United States Department of Interior made a monetary settlement of its obligation under a 1943 agreement with Swain County of \$39,200,000 which resulted in an extraordinary item and a significant increase of investment earnings.
- As a result of the County's implementation of Governmental Accounting Standards Board (GASB) No. Statement 75, *Accounting and Financial Reporting for Financial Reporting for Postemployment Benefits Other than Pensions*, beginning net position for the governmental activities was restated to reflect a decrease of \$932,298.

Business-type Activities. Business-type activities decreased the County's net position by \$57,925. Revenues of the County's business-type activities totaled \$877,127 with expenses totaling \$1,034,784. This produced a deficit before transfers of \$157,657. As a result of the County's implementation of Governmental Accounting Standards Board (GASB) No. Statement 75, *Accounting and Financial Reporting for Financial Reporting for Postemployment Benefits Other than Pensions*, beginning net position was restated to reflect a decrease of \$44,404. The deficit was in part due to the County not funding depreciation.

Financial Analysis of the County's Funds

As noted earlier, Swain County, North Carolina uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of Swain County's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing Swain County's financing requirements. Specifically, fund balance available for appropriation can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of Swain County. At the end of the current fiscal year, Swain County's fund balance available in the General Fund was \$5,638,184 while total fund balance reached \$7,472,050. The County currently has an available fund balance of 29.44% of general fund expenditures, while total fund balance represents 39.01% of the same amount.

The Permanent Fund's balance at year-end was \$53,389,489, an increase of \$39,794,001 over the prior year. The primary reason for the increase in fund balance is the abovementioned extraordinary item.

At June 30, 2018, the governmental funds of Swain County reported a combined fund balance of \$60,956,033, a 180.75% increase from last year. The primary reason for this increase was attributable to the extraordinary item reported in the Permanent Fund.

General Fund Budgetary Highlights. During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Total amendments to the General Fund decreased all revenues by \$2,111,448. Budget amendments were made concurrently as facts and circumstances became known with revenue and expenditure streams.

Proprietary Funds. Swain County's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Solid Waste Fund at the end of the fiscal year amounted to a deficit of \$418,754. The total decrease in net position for the Solid Waste Fund was \$57,925. Other factors concerning the finances of these funds have already been addressed in the discussion of Swain County's business-type activities.

Capital Asset and Debt Administration

Capital Assets. Swain County, North Carolina's capital assets for its governmental and business-type activities as of June 30, 2018, totals \$23,249,977 (net of accumulated depreciation). These assets include land, construction in progress, buildings, equipment, and vehicles.

Major capital asset transactions during the year include the following:

Governmental Activities.

- Purchased a metal building for use by Administration.
- Purchased data processing equipment for Social Services and the Health Department.
- Purchased a lift and a tire changer for the Buildings and Grounds Department.
- Purchased a mapper for the Mapping Department.
- Purchased radios and other equipment for Emergency Management Services.

Business-Type Activities.

- Purchased a computer for the Solid Waste Department.
- Leased a forklift for the Solid Waste Department.
- Capitalized improvements to the Transfer Station.

Construction commitments

The County had no active construction commitments with contractors at June 30, 2018.

**Swain County, North Carolina's Capital Assets
(Net of Depreciation)
Figure 4**

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Capital Assets:						
Land	\$ 4,979,412	\$ 4,979,412	\$ -	\$ -	\$ 4,979,412	\$ 4,979,412
Construction in progress	-	-	-	104,580	-	104,580
Buildings	15,158,483	15,682,809	328,830	244,987	15,487,313	15,927,796
Other improvements	187,687	192,562	-	-	187,687	192,562
Equipment	1,573,764	1,818,385	165,563	146,744	1,739,327	1,965,129
Vehicles & motorized equipment	777,216	1,071,788	79,022	127,359	856,238	1,199,147
Total capital assets	\$ 22,676,562	\$ 23,744,956	\$ 573,415	\$ 623,670	\$ 23,249,977	\$ 24,368,626

Additional information on the County's capital assets can be found in Note III.A.5 of the Basic Financial Statements.

Long-Term Obligations. Debt totals include general obligation bonds, revenue bonds, installment financings, capital leases, certificates of participation and bond anticipation notes. As of June 30, 2018, Swain County had total debt outstanding of \$16,531,353. The entire debt is backed by the full faith and credit of the County. Compensated absences and unpaid pension related debt are included in the total long-term obligations.

**Swain County, North Carolina's Long-Term Obligations
Figure 5**

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Installment purchases	\$ 8,754,476	\$ 9,456,925	\$ -	\$ -	\$ 8,754,476	\$ 9,456,925
USDA debt	7,754,670	7,901,848	-	-	7,754,670	7,901,848
Capitalized leases	-	-	22,207	-	22,207	-
Total debt outstanding	16,509,146	17,358,773	22,207	-	16,531,353	17,358,773
Compensated absences	498,970	443,123	12,679	15,644	511,649	458,767
Net pension liability (LGRS)	1,662,260	2,402,755	69,261	100,115	1,731,521	2,502,870
Total pension liability (LEOSSA)	216,197	194,947	-	-	216,197	194,947
Total OPEB liability	2,073,666	1,980,327	86,402	82,514	2,160,068	2,062,841
Total long-term obligations	\$ 20,960,239	\$ 22,379,925	\$ 190,549	\$ 198,273	\$ 21,150,788	\$ 22,578,198

Swain County's total debt decreased by \$827,420 (4.77%) during the current fiscal year. The County entered into an installment purchase contract dated July 19, 2017, in the amount of \$390,000 for HVAC improvements at Swain West Elementary School and camera installations at the law enforcement center. A capital lease agreement was executed on July 1, 2017, in the amount of \$27,132 for the lease of a forklift. The primary factor in the net decrease in debt was due to the scheduled principal payments on debt already outstanding from the prior fiscal year.

Under State law counties are fiscally responsible for providing and maintaining school buildings for the public school system and the community college. At June 30, 2018 the County had debt outstanding of \$5,423,333 for these activities.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Swain County is about \$107,739,247.

Additional information regarding Swain County, North Carolina's long-term debt can be found in Note III.B.6 of this audited financial report.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the growth and prosperity of the County.

- At June 30, 2018, the County had an unemployment rate of 4.3%, higher than the statewide rate (not seasonally adjusted) of 4.2%. Fifty counties had unemployment rates at or below the statewide rate.
- The County has maintained stricter policies on spending and implemented cost savings measures.

Budget Highlights for the Fiscal Year Ending June 30, 2019

Governmental Activities: The County's overall budget remains comparable with last year's allocations. The property tax rate was maintained at 36 cents per \$100 of valuation to maintain current tax revenue streams.

The County has chosen not to appropriate fund balance in the fiscal year 2019 budget. Management believes that increased revenues and continued restrictions on spending will maintain the County's financial position. As the County considers future revenue sources, it will weigh the benefit of increasing the property tax rate against the cost. Though management believes current growth will generate enough revenue to support County operations, a careful analysis of property tax revenue will be considered in future years' budgets.

Business-Type Activities: The County budgeted \$1,131,734 for the operation of the Solid Waste program which represents a minimal decrease compared to the prior year.

Requests for Information

This report is designed to provide an overview of the County's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Officer, Swain County, P.O. Box 2321, Bryson City, NC 28713. You can also call (828) 488-9273, visit our website <http://www.swaincounty-nc.gov> for more information.

BASIC FINANCIAL STATEMENTS

Swain County, North Carolina
Statement of Net Position
June 30, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Tourist Development Authority
ASSETS				
Cash and cash equivalents	\$ 653,607	\$ -	\$ 653,607	\$ 298,114
Investments	6,281,093	-	6,281,093	-
Receivables (net)	669,417	36,459	705,876	-
Due from other governments	1,074,768	-	1,074,768	70,399
Internal balances	287,122	(287,122)	-	-
Restricted investments	52,980,575	-	52,980,575	-
Net pension asset	52,808	-	52,808	-
Capital assets:				
Land, improvements, construction in progress	4,979,412	-	4,979,412	-
Other capital assets, net of depreciation	17,697,150	573,415	18,270,565	31,032
Total capital assets	22,676,562	573,415	23,249,977	31,032
Total assets	84,675,952	322,752	84,998,704	399,545
DEFERRED OUTFLOWS OF RESOURCES				
	1,345,030	54,579	1,399,609	
LIABILITIES				
Accounts payable and accrued expenses	640,525	44,028	684,553	45,000
Accrued interest payable	97,709	-	97,709	-
Current portion of long-term liabilities	1,577,738	16,154	1,593,892	-
Long-term liabilities:				
Due in more than one year	19,382,501	174,395	19,556,896	-
Total liabilities	21,698,473	234,577	21,933,050	45,000
DEFERRED INFLOWS OF RESOURCES				
	333,004	10,300	343,304	-
NET POSITION				
Net investment in capital assets	11,590,749	551,208	12,141,957	31,032
Restricted for:				
Debt service	980,575	-	980,575	-
USDA reserve	40,011	-	40,011	-
Public safety	68,063	-	68,063	-
Education	468,810	-	468,810	-
Register of Deeds' pension plan	52,808	-	52,808	-
Stabilization by State Statute	1,833,866	-	1,833,866	70,399
Human Services	26,431	-	26,431	-
Permanent Fund - 1943 settlement	52,000,000	-	52,000,000	-
Unrestricted (deficit)	(3,071,808)	(418,754)	(3,490,562)	253,114
Total net position	\$ 63,989,505	\$ 132,454	\$ 64,121,959	\$ 354,545

The notes to the financial statements are an integral part of this statement.

Swain County, North Carolina
Statement of Activities
For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Tourist Development Authority
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental Activities:								
General government	\$ 4,318,897	\$ 814,149	\$ 41,421	\$ -	\$ (3,463,327)	\$ -	\$ (3,463,327)	
Public safety	5,108,508	1,947,823	23,077	-	(3,137,608)	-	(3,137,608)	
Economic and physical development	697,957	25,924	59,000	-	(613,033)	-	(613,033)	
Environmental protection	103,488	-	20,683	-	(82,805)	-	(82,805)	
Human services	7,694,532	296,906	4,499,047	-	(2,898,579)	-	(2,898,579)	
Cultural and recreation	745,261	304,183	-	-	(441,078)	-	(441,078)	
Education	1,176,536	-	-	-	(1,176,536)	-	(1,176,536)	
Interest on long-term debt	591,023	-	-	-	(591,023)	-	(591,023)	
Total governmental activities	20,436,202	3,388,985	4,643,228	-	(12,403,989)	-	(12,403,989)	
Business-type activities:								
Solid waste	1,034,784	836,436	-	-	-	(198,348)	(198,348)	
Total primary government	\$ 21,470,986	\$ 4,225,421	\$ 4,643,228	\$ -	(12,403,989)	(198,348)	(12,602,337)	
Component unit:								
Tourism Development Authority	\$ 900,532	\$ -	\$ -	\$ -				\$ (900,532)
General revenues:								
Taxes:								
Property taxes, levied for general purpose					6,070,708	-	6,070,708	-
Local option sales tax					3,636,555	-	3,636,555	-
Other taxes and licenses					140,191	-	140,191	895,546
Grants and contributions not restricted to specific programs					1,323,063	40,691	1,363,754	-
Investment earnings, unrestricted					868,138	-	868,138	-
Total general revenues excluding transfers					12,038,655	40,691	12,079,346	895,546
Transfers					(99,732)	99,732	-	-
Extraordinary item - Settlement - U.S. Department of the Interior					39,200,000	-	39,200,000	-
Total general revenues, extraordinary item, and transfers					51,138,923	140,423	51,279,346	895,546
Change in net position					38,734,934	(57,925)	38,677,009	(4,986)
Net position, beginning as previously reported					26,201,223	234,783	26,436,006	359,531
Restatement					(946,652)	(44,404)	(991,056)	-
Net position, beginning as restated					25,254,571	190,379	25,444,950	359,531
Net position, ending					\$ 63,989,505	\$ 132,454	\$ 64,121,959	\$ 354,545

The notes to the financial statements are an integral part of this statement.

Swain County, North Carolina
Balance Sheet
Governmental Funds
June 30, 2018

	Major		Non-Major	
	General	Permanent	Governmental	Total
	Fund	Fund	Funds	
ASSETS				
Cash and cash equivalents	\$ 540,983	\$ -	\$ 112,624	\$ 653,607
Investments	4,891,604	1,389,489	-	6,281,093
Restricted investments	980,575	52,000,000	-	52,980,575
Receivables, net				
Taxes	209,768	-	-	209,768
Accounts	447,588	-	-	447,588
Due from other governments	1,074,768	-	-	1,074,768
Due from other funds	386,442	-	-	386,442
Total assets	<u>\$ 8,531,728</u>	<u>\$ 53,389,489</u>	<u>\$ 112,624</u>	<u>\$ 62,033,841</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 639,490	\$ -	\$ 1,035	\$ 640,525
Due to other funds	82,225	-	17,095	99,320
Total liabilities	<u>721,715</u>	<u>-</u>	<u>18,130</u>	<u>739,845</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	209,768	-	-	209,768
Unavailable revenue - other receivables	74,932	-	-	74,932
Unearned revenue	53,263	-	-	53,263
Total deferred inflows of resources	<u>337,963</u>	<u>-</u>	<u>-</u>	<u>337,963</u>
Fund balances:				
Nonspendable:				
Permanent fund - 1943 settlement	-	52,000,000	-	52,000,000
Restricted:				
Stabilization by State Statute	1,833,866	-	-	1,833,866
Public safety	-	-	68,063	68,063
Human services	-	-	26,431	26,431
Debt service	980,575	-	-	980,575
Education	468,810	-	-	468,810
USDA reserve	40,011	-	-	40,011
Committed:				
Public safety	54,359	-	-	54,359
Economic and physical development	30,570	-	-	30,570
Assigned:				
General government	-	1,389,489	-	1,389,489
Unassigned:	4,063,859	-	-	4,063,859
Total fund balances	<u>7,472,050</u>	<u>53,389,489</u>	<u>94,494</u>	<u>60,956,033</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 8,531,728</u>	<u>\$ 53,389,489</u>	<u>\$ 112,624</u>	<u>\$ 62,033,841</u>

The notes to the financial statements are an integral part of this statement.

Swain County, North Carolina
Balance Sheet
Governmental Funds
June 30, 2018

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Total Fund Balances for Governmental Funds	\$ 60,956,033
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	22,676,562
Net pension asset	52,808
Contributions to pension plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position	549,400
Contributions and pension administration costs for OPEB are deferred outflows of resources on the Statement of Net Position	23,040
Other long-term assets are not available to pay for current-period expenditures and therefore are unavailable in the funds.	12,061
Net pension liability	(1,662,260)
Total OPEB liability	(2,073,666)
Total pension liability	(216,197)
Deferred inflows of resources for taxes and special assessments receivable	284,700
Pension related deferrals	629,244
OPEB related deferrals	(136,395)
Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(17,105,825)</u>
Net position of governmental activities	<u><u>\$ 63,989,505</u></u>

The notes to the financial statements are an integral part of this statement.

Swain County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018

	Major		Non-Major	
	General	Permanent	Other	
	Fund	Fund	Governmental	Total
			Funds	
REVENUES				
Ad valorem taxes	\$ 6,063,195	\$ -	\$ -	\$ 6,063,195
Local option sales tax	3,636,555	-	-	3,636,555
Other taxes and licenses	140,191	-	-	140,191
Unrestricted intergovernmental	1,323,063	-	-	1,323,063
Restricted intergovernmental	4,652,788	-	351,404	5,004,192
Permits and fees	135,622	-	-	135,622
Sales and services	2,265,603	-	-	2,265,603
Investment earnings	74,137	794,001	-	868,138
Miscellaneous	633,070	-	-	633,070
Total revenues	18,924,224	794,001	351,404	20,069,629
EXPENDITURES				
Current:				
General government	4,150,860	-	-	4,150,860
Public safety	4,211,544	-	236,146	4,447,690
Environmental protection	97,768	-	-	97,768
Economic and physical development	629,262	-	-	629,262
Human services	7,222,130	-	135,368	7,357,498
Cultural and recreation	627,389	-	-	627,389
Education	1,176,536	-	-	1,176,536
Debt service:				
Principal	1,239,627	-	-	1,239,627
Interest	589,102	-	-	589,102
Total expenditures	19,944,218	-	371,514	20,315,732
Excess (deficiency) of revenues over expenditures	(1,019,994)	794,001	(20,110)	(246,103)
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	200,000	-	-	200,000
Transfers to other funds	(99,732)	(200,000)	-	(299,732)
Proceeds from long-term debt	390,000	-	-	390,000
Total other financing sources (uses)	490,268	(200,000)	-	290,268
EXTRAORDINARY ITEM				
Settlement - U.S. Department of the Interior	-	39,200,000	-	39,200,000
Net change in fund balances	(529,726)	39,794,001	(20,110)	39,244,165
Fund balances, beginning as previously reported	7,900,071	13,595,488	216,309	21,711,868
Prior period adjustment	101,705	-	(101,705)	-
Fund balances, beginning as restated	8,001,776	13,595,488	114,604	21,711,868
Fund balances, ending	\$ 7,472,050	\$ 53,389,489	\$ 94,494	\$ 60,956,033

The notes to the financial statements are an integral part of this statement.

Swain County, North Carolina
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2018

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds	\$ 39,244,165
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	
Capital outlay expenditures which were capitalized	156,810
Depreciation expense for governmental assets	(1,225,204)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	549,400
Contributions and pension administration costs for OPEB are deferred outflows of resources on the Statement of Net Position	23,040
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	
Change in unavailable revenue - property taxes	7,513
Change in unavailable revenue - other receivables	(6,274)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	
New long-term debt issued	(390,000)
Principal payments on long-term debt	1,239,627
Change in accrued interest payable	(1,921)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Compensated absences	(55,847)
Pension expense	(576,641)
Other postemployment benefits	(229,734)
Total changes in net position of governmental activities	<u>\$ 38,734,934</u>

The notes to the financial statements are an integral part of this statement.

Swain County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund
For the Fiscal Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Positive (Negative)</u>
REVENUES				
Ad valorem taxes	\$ 5,924,501	\$ 5,924,501	\$ 6,063,195	\$ 138,694
Local option sales tax	2,725,000	2,725,000	2,874,530	149,530
Other taxes and licenses	996,000	132,000	140,191	8,191
Unrestricted intergovernmental	1,343,000	1,343,000	1,323,063	(19,937)
Restricted intergovernmental	7,529,432	6,085,834	4,652,788	(1,433,046)
Permits and fees	154,900	154,900	135,622	(19,278)
Sales and services	2,218,088	2,347,238	2,265,603	(81,635)
Investment earnings	223,000	243,000	67,595	(175,405)
Miscellaneous	436,821	483,821	600,872	117,051
Total revenues	<u>21,550,742</u>	<u>19,439,294</u>	<u>18,123,459</u>	<u>(1,315,835)</u>
EXPENDITURES				
Current:				
General government	3,375,517	4,480,536	4,150,860	329,676
Public safety	4,160,517	4,337,599	4,211,544	126,055
Environmental protection	118,712	118,712	97,768	20,944
Economic and physical development	1,445,266	634,266	604,262	30,004
Human services	9,695,782	8,140,667	7,222,130	918,537
Cultural and recreation	702,178	702,178	627,389	74,789
Education	1,217,762	1,217,862	1,176,536	41,326
Debt service:				
Principal retirement	1,818,131	1,337,097	1,239,627	97,470
Interest and fees	589,200	589,200	589,102	98
Total expenditures	<u>23,123,065</u>	<u>21,558,117</u>	<u>19,919,218</u>	<u>1,638,899</u>
Revenues over (under) expenditures	<u>(1,572,323)</u>	<u>(2,118,823)</u>	<u>(1,795,759)</u>	<u>323,064</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	685,000	1,260,000	994,793	(265,207)
Transfers to other funds	(91,732)	(162,732)	(139,732)	23,000
Proceeds from long-term debt issued	400,000	400,000	390,000	(10,000)
Total other financing sources (uses)	<u>993,268</u>	<u>1,497,268</u>	<u>1,245,061</u>	<u>(252,207)</u>
Fund balance appropriated	<u>579,055</u>	<u>621,555</u>	<u>-</u>	<u>(621,555)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>(550,698)</u>	<u>\$ (550,698)</u>
Fund balances, beginning			<u>7,428,998</u>	
Fund balances, ending			<u>\$ 6,878,300</u>	

The notes to the financial statements are an integral part of this statement.

Swain County, North Carolina
Statement of Net Position - Proprietary Fund
Solid Waste Fund
June 30, 2018

ASSETS

Current assets:

Receivables, net	\$ 36,459
Total current assets	<u>36,459</u>

Noncurrent assets:

Capital assets:

Other capital assets, net of depreciation	573,415
Total capital assets	<u>573,415</u>
Total noncurrent assets	<u>573,415</u>
Total assets	<u>609,874</u>

DEFERRED OUTFLOWS OF RESOURCES

54,579

LIABILITIES

Current liabilities:

Accounts payable	40,084
Accrued wages	3,944
Due to other funds	287,122
Compensated absences payable - current	11,000
Current portion of long term debt	<u>5,154</u>
Total current liabilities	<u>347,304</u>

Noncurrent liabilities:

Long term debt (less current portion)	17,053
Compensated absences	1,679
Net pension liability	69,261
Total OPEB liability	<u>86,402</u>
Total noncurrent liabilities	<u>174,395</u>

Total liabilities

521,699**DEFERRED INFLOWS OF RESOURCES**

10,300

NET POSITION

Net investment in capital assets	551,208
Unrestricted	<u>(418,754)</u>
Total net position	<u>\$ 132,454</u>

The notes to the financial statements are an integral part of this statement.

Swain County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Net Position - Proprietary Fund
Solid Waste Fund
For the Year Ended June 30, 2018

OPERATING REVENUES

Charges for services	\$ 782,544
Miscellaneous	53,892
Total operating revenues	<u>836,436</u>

OPERATING EXPENSES

Waste management operations	938,177
Depreciation	95,425
Total operating expenses	<u>1,033,602</u>
Operating income (loss)	(197,166)

NONOPERATING REVENUES (EXPENSES)

Solid waste disposal tax	11,353
Scrap tire disposal tax	19,823
White goods disposal tax	9,515
Interest expense	(1,182)
Total nonoperating revenues (expenses)	<u>39,509</u>
Income (loss) before contributions and transfers	(157,657)
Transfers from other funds	99,732
Change in net position	<u>(57,925)</u>
Total net position, beginning	234,783
Net position, beginning, restated	190,379
Total net position, ending	<u><u>\$ 132,454</u></u>

The notes to the financial statements are an integral part of this statement.

Swain County, North Carolina
Statement of Cash Flows - Proprietary Fund
Solid Waste Fund
For the Year Ended June 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from customers	\$ 785,234
Cash paid for goods and services	(592,218)
Cash paid to employees for services	(313,001)
Other operating revenue	53,892
Net cash used by operating activities	<u>(66,093)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Intergovernmental non-operating revenues received	40,691
Decrease in amount due to General Fund	(50,185)
Transfers from other funds	99,732
Net cash provided (used) by noncapital financing activities	<u>90,238</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Acquisition and construction of capital assets	(22,963)
Interest paid on bond maturities and equipment contracts	(1,182)
Net cash provided (used) by capital and related financing activities	<u>(24,145)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Net cash provided (used) by investing activities	<u>-</u>
--	----------

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS:

Cash and cash equivalents, beginning	-
Cash and cash equivalents, ending	<u>\$ -</u>

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

Operating income (loss)	<u>(197,166)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	95,425
Changes in assets, liabilities, and deferred outflows and inflows of resources:	
Decrease (increase) in accounts receivable	2,690
Decrease (increase) in deferred outflows of resources for pensions	31,355
Decrease (increase) in deferred outflows of resources - OPEB	(960)
Increase (decrease) in accounts payable and accrued liabilities	27,657
Increase (decrease) in compensated absences payable	(2,965)
Increase (decrease) in net pension liability	(30,854)
Increase (decrease) in net OPEB liability	3,888
Increase (decrease) in deferred inflows of resources for pensions	(847)
Increase (decrease) in deferred inflows of resources - OPEB	5,684
Total adjustments	<u>131,073</u>
Net cash provided (used) by operating activities	<u>\$ (66,093)</u>
Noncash investing, capital and financing:	
Borrowing under capital lease	<u>\$ 22,207</u>

The notes to the financial statements are an integral part of this statement.

Swain County, North Carolina
Statement of Fiduciary Net Position
For the Year Ended June 30, 2018

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	<u>\$ 62,825</u>
LIABILITIES AND NET POSITION	
Liabilities:	
Miscellaneous liabilities	62,713
Intergovernmental payables - State of North Carolina	<u>112</u>
Total liabilities	<u>62,825</u>
Net position	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

Swain County, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2018

Contents	<u>Page</u>
 I. Summary of Significant Accounting Policies	
A. Reporting Entity	25
B. Basis of Presentation, Basis of Accounting	25 - 27
C. Budgetary Data	27
D. Assets, Liabilities, Deferred Inflows and Outflows, and Fund Equity	
1. Deposits and Investments	27 - 28
2. Cash and Cash Equivalents	28
3. Restricted Assets	28
4. Ad Valorem Taxes Receivable	28
5. Allowances for Doubtful Accounts	28
6. Capital Assets	28 - 29
7. Deferred Outflows/Inflows of Resources	29
8. Long-Term Obligations	29
9. Compensated Absences	29
10. Net Position/Fund Balances	29 - 30
11. Defined Benefit Pension and OPEB Plans	30
12. Estimates	31
E. Reconciliation of Government-wide and Fund Financial Statements	
1. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.	31
2. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities.	31 - 32
 II. Stewardship, Compliance and Accountability	
A. Significant Violations of Finance-Related Legal and Contractual Provisions	32
1. Noncompliance with North Carolina General Statutes	32
2. Contractual Violations	32
B. Deficit Fund Balance or Net Position of Individual Funds	32
C. Excess of Expenditures over Appropriations	32

Swain County, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2018

Contents	<u>Page</u>
 III. Detail Notes on All Funds	
A. Assets	
1. Deposits	32 - 33
2. Investments	33
3. Property Tax - Use-Value Assessment on Certain Lands	33
4. Receivables	34
5. Capital Assets	34 - 35
B. Liabilities	
1. Payables	35
2. Pension Plan and Other Postemployment Obligations	36 - 45
3. Deferred Outflows and Inflows of Resources	45
4. Risk Management	45 - 46
5. Contingent Liabilities	46
6. Long-Term Obligations	46 - 49
C. Interfund Balances and Activity	49
D. Net Investment in Capital Assets	50
E. Fund Balance	50
F. Prior Period Adjustment	50 - 51
 IV. Joint Ventures	 51
 V. Jointly Governed Organizations	 51
 VI. Benefit Payments Issued by the State	 52
 VII. Summary Disclosure of Significant Commitments and Contingencies	 52
 VIII. Significant Effects of Subsequent Events	 52
 IX. Extraordinary item	 52
 X. Change in Accounting Principles/Restatement	 52
 XI. New Accounting Pronouncements	 53 - 54

Swain County, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2018

I. Summary of Significant Accounting Policies

The accounting policies of Swain County and its component unit conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The County, which is governed by a five-member board of commissioners, is one of the 100 counties established in North Carolina under North Carolina General Statute 153A-10. As required by accounting principles generally accepted in the United States of America, these financial statements present the County and its component unit, a legally separate entity for which the County is financially accountable. The discretely presented component unit is reported in a separate column of the County's financial statements in order to emphasize that it is legally separate from the County.

Discretely Presented Component Unit

Swain County Tourist Development Authority

The Swain County Tourist Development Authority (the "Authority") was created to promote activities and programs which encourage travel, tourism, and conventions in the area. The Authority is governed by a five-member board of directors, three of whom are appointed by the Swain County Board of Commissioners. The County is not responsible for the debts or entitled to the surpluses of the Authority. The Authority has the power to approve its own budget, designate its own management, and maintain its own accounting system. The Authority, which has a June 30 year-end, is presented as if it was a separate governmental fund of the County. Complete financial statements for the Authority may be obtained from the entity's administrative office in Bryson City, North Carolina.

B. Basis of Presentation, Basis of Accounting

Basis of Presentation, Measurement Focus – Basis of Accounting

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government net position (the County) and its component unit. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type-activities* of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the business-type activity of the County and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the County's funds, including its fiduciary funds. Separate statements for each fund category – *governmental, proprietary, and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each of which is displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary Fund: Operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies, result from non-exchange transactions. Other non-operating items such as investment earnings are ancillary activities.

The County reports the following major governmental funds:

General Fund – This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The Schools Capital Reserve Fund, the Economic Development Fund, the Public Safety Capital Reserve Fund, and the Law Enforcement Capital Reserve are legally budgeted funds under North Carolina General Statutes; however, for statement presentation in accordance with GASB Statement No. 54, they are consolidated in the General Fund.

Permanent Fund – This fund accounts for resources received from the partial Settlement of the 1943 Agreement with the U.S. Department of the Interior. The interest earned on the non-expendable trust principal is unrestricted.

The County reports the following major enterprise fund:

Solid Waste Fund – The Solid Waste Fund is used to account for those operations that are financed and operated in a manner similar to private business or where the Board has decided that the determination of revenues earned, costs incurred, and/or net income is necessary for management accountability. This fund is used to account for the solid waste facilities.

The County reports the following fund types:

Agency Funds: Agency funds are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for assets the County holds on behalf of others. The County maintains the following agency funds: the Fines and Forfeitures Fund, which accounts for various legal fines and forfeitures that the County is required to remit to the Swain County Board of Education; the Municipal Tax Fund, which accounts for funds that are billed and collected by the County for various municipalities and special districts within the County; the Deed of Trust Fees Fund, which accounts for the \$5 of each fee collected by the Register of Deeds for registering or filing a deed of trust or mortgage and is remitted to the State Treasurer on a monthly basis; the Inmate Trust Fund, which accounts for monies deposited with the Jail for the benefit of certain individuals; and the Social Services Trust Fund, which accounts for monies deposited with the Social Services Department for the benefit of certain individuals.

The County reports the following non-major governmental funds:

Special Revenue Funds:

Emergency Telephone System Fund – This fund was established in accordance with North Carolina law to account for the accumulation of telephone surcharges to be used for emergency telephone systems.

Family Preservation Grant Fund – This fund is established to account for the grant to serve families at risk or in crisis, to develop or expand and operate coordinated programs of community-based family support services, family preservation services, family reunification services, and adoption promotion and support services.

In accordance with North Carolina General Statutes, all funds of the County are maintained during the year using the modified accrual basis of accounting.

Government-wide, Proprietary, and Fiduciary Fund Financial Statements. The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus, except for the agency funds which have no measurement focus. The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's enterprise fund are charges to customers for sales and services. Operating expenses for enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The County considers all revenues available if they are collected within 60 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. As of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as utilities franchise tax, collected and held by the State at year-end on behalf of the County are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

C. Budgetary Data

The County's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the following funds: the General Fund, special revenue funds, the Permanent Fund, and the Enterprise Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the capital project funds, except the Public Safety Capital Project Fund.

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for funds which adopt annual budgets and at the object level for funds which adopt project ordinances. The County Manager has authority, with subsequent approval by the Board, to transfer funds from one appropriation to another per the following guidelines: 1) the funds are not more than \$500, 2) the funds involve receipt and appropriation of grant funds or contracts which have been approved by the Board, or 3) the transfer allows for better accounting methods and does not involve a change in the purpose for which funds are spent. All budgets shown in the financial statements are the final June 30, 2018 budgets as amended. The governing board must approve all amendments. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

Pursuant to G.S. 159-26(d), the County is not required to maintain encumbrance accounts due to its small population. The County does use purchase orders but they are not reflected in expenditures until the item is received. At June 30, 2018, the County did not have any purchase orders outstanding.

D. Assets, Liabilities, Deferred Inflows and Outflows, and Fund Equity

1. Deposits and Investments

All deposits of the County and the Swain County Tourism Development Authority are made in board-designated official depositories and are secured as required by G.S. 159-31. The County and the Tourism Development Authority may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the County and the Tourism Development Authority may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the County and the Tourism Development Authority to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT).

The County's investments are carried at fair value as determined by quoted market prices. The NC Capital Management Trust Government Portfolio, a SEC-registered 2a-7 external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. The County's Permanent Fund is invested in the State Treasurer's STIF and LTIF investment funds. The State Treasurer may invest the proceeds in equities of certain publicly held companies and long or short term fixed income investments as detailed in G. S. 147-69.2(b)(1-6) and (8). The State Treasurer's Short-Term Investment Fund (STIF) consists of short to intermediate treasuries, agencies, and corporate issues authorized by G.S. 147-69.1. The STIF securities are reported at cost and maintain a constant \$1 per share value. Under the authority of G.S. 147-69.3, no unrealized gains or losses of the STIF are distributed to participants of the fund. The Long-Term Investment Fund (LTIF) consist of investment grade corporate securities, treasuries, and agencies. The LTIF is also valued at \$1 per share.

2. Cash and Cash Equivalents

The County pools moneys from several funds, to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. Swain County Tourism Development Authority consider demand deposits and investments with a maturity date of 90 days or less at time of purchase to be cash and cash equivalents.

3. Restricted Assets

The money being held in a sinking fund with the US Bank for the future payoff of \$1,500,000 of N.C. Qualified Zone Academy Bonds is classified as restricted. The Permanent Fund's restricted investments represent the non-expendable portion of the Swain Settlement funds.

Swain County Restricted Investments

Governmental		
General Fund	Sinking fund for future QZAB payoff	\$ 980,575
Permanent Fund	Non-expendable portion of settlement funds	52,000,000
Total Governmental Activities Restricted Investments		<u>\$ 52,980,575</u>

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the County levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2017. As allowed by State law, the County has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the County's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

6. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to July 1, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after July 1, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. Capital assets are defined by the County as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of one year. Capital assets of the County include land, buildings, building improvements, furniture and equipment, and vehicles. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

The County holds title to certain Swain County Board of Education properties that have not been included in capital assets. The properties have been deeded to the County to permit installment purchase financing of acquisition and construction costs and to permit the County to receive refunds of sales tax paid for construction costs. Agreements between the County and the Board of Education give the Board of Education full use of the facilities, full responsibility for maintenance of the facilities, and provide that the County will convey title to the property back to the Board of Education once all restrictions of the financing agreements and all sales tax reimbursement requirements have been met. The properties are reflected as capital assets in the financial statements of the Swain County Board of Education.

Capital assets of the County are depreciated on a straight-line basis over the following estimated useful lives:

<u>Asset Type</u>	<u>Estimated Useful Lives</u>
Buildings	15 - 40 years
Equipment	5 - 15 years
Vehicles and motorized	5 - 10 years

Capital assets of the Swain County Tourism Development Authority are depreciated on a straight-line basis over the following estimated useful lives:

<u>Asset Type</u>	<u>Estimated Useful Lives</u>
Infrastructure	50 years
Equipment	5 - 7 years

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The County has two items that meets this criterion - pension and contributions made to the OPEB or pension plan in the current fiscal year. In addition to liabilities, the statement of financial position can also report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The County has four items that meet the criterion for this category - prepaid taxes, property taxes receivable, other receivables, and other OBEB or pension related deferrals.

8. Long-Term Obligations

In the government-wide financial statements and in the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities on the statements of net position.

In the fund financial statements for governmental fund types, the face amount of debt issued is reported as other financing sources.

9. Compensated Absences

The vacation policies of the County provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. An expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned in the County's government-wide and proprietary fund statements. The County has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

The sick leave policy of the County provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the County does not have any obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made by the County.

10. Net Position/Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets, restricted, and unrestricted. Restricted net position represents constraints on resources that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through State statute.

Fund Balances

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

Nonspendable Fund Balance - This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Permanent Fund - 1943 Settlement - principal amount derived from the 1943 agreement with the Department of the Interior is to remain in perpetuity.

Restricted Fund Balance - This classification includes revenue sources that are restricted to specific purposes externally imposed or imposed by law.

Restricted for Stabilization by State Statute - portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

Restricted for Public Safety - portion of fund balance that is restricted by revenue source to pay for the safety of the public.

Restricted for Human Services - portion of fund balance that is restricted by revenue source for social services.

Restricted for Education- portion of fund balance that can only be used for retirement of school debt and is restricted by revenue source.

Restricted for Debt Service - portion of fund balance that is restricted for the retirement of QZAB debt owed by the County.

Restricted for USDA reserve - portion of fund balance that is restricted to satisfy the conditions of a USDA loan.

Committed Fund Balance - Portion of fund balance that can only be used for specific purposes imposed by majority vote of Swain County's governing body (highest level of decision-making authority). Any changes or removal of specific purposes requires majority action by the governing body.

Committed for Public Safety - portion of fund balance that can only be used for future law enforcement expenditures.

Committed for Economic and Physical Development - portion of fund balance that can only be used for economic development purposes.

Assigned Fund Balance - Portion of fund balance that the Swain County governing board has budgeted.

Assigned for General Government - portion of fund balance in the Permanent Fund that is not restricted and can be used for general government purposes by the governing board.

Unassigned Fund Balance - portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

Swain County has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: debt proceeds, federal funds, State funds, local non-county funds, and county funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly, unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the County.

The County has not adopted a minimum fund balance policy.

11. Defined Benefit Pension and OPEB Plans

The County participates in three cost-sharing, multiple-employer, defined benefit pension plans that are administered by the State; the Local Governmental Employees' Retirement System (LGERS), the Registers of Deeds' Supplemental Pension Fund (RODSPF), the Law Enforcement Officers' Special Separation Allowance (LEOSSA) (collectively, the "state-administered defined benefit pension plans"), and one other postemployment benefit plan (OPEB), the Healthcare Benefits Plan (HCB). For purposes of measuring the net pension asset or liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the state-administered defined benefit pension plans and additions to/deductions from the state-administered defined benefit pension plans' fiduciary net positions have been determined on the same basis as they are reported by the state-administered defined benefit pension plans. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The County's employer contributions are recognized when due and the County has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the state-administered defined benefit pension plans. For purposes of measuring the net OPEB liability, deferred outflows and inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the HCB and additions to/deductions from the HCB's fiduciary net position have been determined on the same basis as they are reported by the HCB. For this purpose, the HCB recognizes benefit payments when due and payable in accordance with the benefit terms. Investments for all plans are reported at fair value.

12. Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statement, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

E. Reconciliation of Government-wide and Fund Financial Statements**1. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.**

The governmental fund balance sheet includes a reconciliation between total fund balance for the governmental funds and net position for governmental activities as reported in the government-wide statement of net position. The net adjustment of \$3,033,472 consists of the following:

Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	\$ 35,717,352
Less accumulated depreciation	(13,040,790)
Net capital assets	22,676,562
Net pension asset	52,808
Contributions to the pension plan in the current fiscal year	549,400
Contributions to the OPEB plan in the current fiscal year	23,040
Accrued interest receivable less the amount claimed as unearned revenue in the government-wide statements as these funds are unavailable in the fund statements	12,061
Deferred inflows of resources for taxes and special assessments receivable	284,700
Pension related deferrals	629,244
OPEB related deferrals	(136,395)
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not reported in the fund statements:	
Bonds, leases, and installment financing	(16,509,146)
Compensated absences	(498,970)
Total OPEB liability	(2,073,666)
Net pension liability	(1,662,260)
Total pension liability	(216,197)
Accrued interest payable	(97,709)
Total adjustment	<u>\$ 3,033,472</u>

2. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances for the governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. The total adjustment of \$(509,231) is comprised of the following:

Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 156,810
Depreciation expense, the allocation of those assets over their useful lives that is recorded on the statement of activities, but not in the fund statements	(1,225,204)
New debt issued during the year is recorded as a source of funds on the fund statements; it has no effect on the statement of activities - it affects only the government-wide statement of net position	(390,000)
Principal payments on debt owed are recorded as a use of funds on the fund statements, but again affect only the statement of net position in the government-wide statements	1,239,627

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	549,400
Contributions to the OPEB plan in the current fiscal year are not included on the Statement of Activities	23,040
Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements.	
Difference in interest expense between fund statements (modified accrual) and government-wide statements (full accrual)	(1,921)
Compensated absences	(55,847)
OPEB expense	(229,734)
Pension expense	(576,641)
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements.	
Change in deferred inflows of resources - taxes receivable - at end of year	7,513
Change in deferred inflows of resources - other receivable - at end of year	(6,274)
Total adjustment	<u>\$ (509,231)</u>

II. Stewardship, Compliance, and Accountability

A. Significant Violations of Finance-Related Legal and Contractual Provisions

1. Noncompliance with North Carolina General Statutes

None Noted.

2. Contractual Violations

None Noted.

B. Deficit Fund Balance or Net Position of Individual Funds

None Noted.

C. Excess of Expenditures over Appropriations

None Noted.

III. Detail Notes on All Funds

A. Assets

1. Deposits

The deposits of the County and the Swain County Tourism Development Authority are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the County's and the Authority's agents in the units' name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the County and the Authority, these deposits are considered to be held by their agent in the entities' names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the County, the Authority or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County or the Authority under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

The State Treasurer enforces standards of minimum capitalization for all pooling method financial institutions. The County and Authority rely on the State Treasurer to monitor those financial institutions. The County analyzes the financial soundness of any other financial institution used by the County. The County and the Authority complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The County and the Authority have no policy regarding custodial credit risk for deposits.

At June 30, 2018, the County's deposits had a carrying amount of \$716,267, a bank balance of \$831,097. Of the bank balance, \$359,078 was covered by federal depository insurance, and \$472,019 in deposits was covered by collateral held under the Pooling method.

At June 30, 2018, Swain County had \$165 cash on hand.

Also, at June 30, 2018, the deposits of the Tourism Development Authority, a component unit of the County, had a carrying value of \$298,114 and a bank balance of \$365,024, all of which was covered by federal depository insurance or other sufficient collateral held under the pooling method.

2. Investments

As of June 30, 2018, the County had the following investments and maturities:

Investment Type	Valuation Measurement Method	Fair Value	Less Than One Year	5+ Years
Commercial Paper	Fair Value - Level 2	\$ 980,575	\$ 980,575	\$ -
NC Capital Management Trust Government Portfolio	Amortized Cost	4,891,604	N/A	N/A
State Treasurer's Short-Term Investment Fund (STIF)	Fair Value - Level 1	45,999,983	45,999,983	-
State Treasurer's Long-Term Investment Fund (LTIF)	Fair Value - Level 1	7,389,506	-	7,389,506
Total:		<u>\$ 59,261,668</u>	<u>\$ 46,980,558</u>	<u>\$ 7,389,506</u>

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Level of fair value hierarchy: Level 1: Debt securities valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level Two debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Interest Rate Risk. The County has no formal investment policy regarding interest rate risk.

Credit Risk. The County limits investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2018, the County's investments in commercial paper were rated P1 by Standard & Poor's, F1 by Fitch Ratings, and A1 by Moody's Investors Service. The County's investments in the NC Capital Management Trust Government Portfolio carried a credit rating of AAA by Standard & Poor's as of June 30, 2018. The County's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the US government and agencies, and in high grade money market instruments as permitted under North Carolina General Statute 159-30 as amended. The County's investments in US Agencies (Federal Home Loan Bank) are rated AAA by Standard & Poor's and Aaa by Moody's Investors Service.

3. Property Tax - Use-Value Assessment on Certain Lands

In accordance with the general statutes, agriculture, horticulture, and forestland may be taxed by the County at the present-use value as opposed to market value. When the property loses its eligibility for use-value taxation, the property tax is recomputed at market value for the current year and the three preceding fiscal years, along with the accrued interest from the original due date. This tax is immediately due and payable. The following are property taxes that could become due if present use-value eligibility is lost. These amounts have not been recorded in the financial statements.

Year Levied	Tax	Interest	Total
2015	\$ 138,612	\$ 14,201	\$ 152,813
2016	144,827	14,842	159,669
2017	154,962	15,496	170,458
2018	152,912	15,291	168,203
Total	<u>\$ 591,313</u>	<u>\$ 59,830</u>	<u>\$ 651,143</u>

4. Receivables

Receivables at the government-wide level at June 30, 2018, were as follows:

Governmental Activities	Accounts Receivable	Taxes Receivable	Accrued Interest	Due From Other	Total
General	\$ 447,588	\$ 675,096	\$ 12,061	\$ 1,074,768	\$ 2,209,513
Total receivables	447,588	675,096	12,061	1,074,768	2,209,513
Allowance for doubtful accounts	-	(465,328)	-	-	(465,328)
Total-governmental activities	<u>\$ 447,588</u>	<u>\$ 209,768</u>	<u>\$ 12,061</u>	<u>\$ 1,074,768</u>	<u>\$ 1,744,185</u>
Business-type Activities:					
Solid waste facilities	\$ 138,090	\$ -	\$ -	\$ -	\$ 138,090
Allowance for doubtful accounts	(101,631)	-	-	-	(101,631)
Total - business-type activities	<u>\$ 36,459</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,459</u>

Due from other governments that is owed to the County consists of the following:

Local option sales taxes	\$ 544,625
DHHS programs	446,165
Sales tax refund receivables	53,978
Other receivables	30,000
Total	<u>\$ 1,074,768</u>

5. Capital Assets**Primary Government**

Capital assets activity for the year ended June 30, 2018, was as follows:

Governmental Activities:	Beginning Balances as Restated	Increases	Decreases	Transfers	Ending Balances
Capital assets not being depreciated					
Land	\$ 4,979,412	\$ -	\$ -	\$ -	\$ 4,979,412
Construction in progress	-	-	-	-	-
Total capital assets not being depreciated	<u>4,979,412</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,979,412</u>
Capital assets being depreciated					
Buildings	22,138,273	29,142	-	-	22,167,415
Other improvements	195,000	-	-	-	195,000
Equipment	4,854,283	127,668	-	-	4,981,951
Vehicles & motorized equipment	3,393,574	-	-	-	3,393,574
Total capital assets being depreciated	<u>30,581,130</u>	<u>156,810</u>	<u>-</u>	<u>-</u>	<u>30,737,940</u>
Less accumulated depreciation for:					
Buildings	6,455,464	553,468	-	-	7,008,932
Other improvements	2,438	4,875	-	-	7,313
Equipment	3,035,898	372,289	-	-	3,408,187
Vehicles & motorized equipment	2,321,786	294,572	-	-	2,616,358
Total accumulated depreciation	<u>11,815,586</u>	<u>1,225,204</u>	<u>-</u>	<u>-</u>	<u>13,040,790</u>
Total capital assets being depreciated, net	<u>18,765,544</u>				<u>17,697,150</u>
Governmental activities capital assets, net	<u>\$ 23,744,956</u>				<u>\$ 22,676,562</u>

Depreciation expense was charged to function/programs of the government as follows:

General government	\$ 189,242
Public safety	612,604
Economic and physical development	57,877
Human services	252,438
Environmental protection	3,179
Cultural and recreation	109,864
Total depreciation expense	<u>\$ 1,225,204</u>

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Business-type activities:					
Capital assets not being depreciated					
Construction in progress	\$ 104,580	\$ -	\$ -	\$ (104,580)	\$ -
Total capital assets not being depreciated	104,580	-	-	(104,580)	-
Capital assets being depreciated					
Buildings	607,030	-	-	104,580	711,610
Equipment	567,814	45,170	-	-	612,984
Vehicles & motorized equipment	878,418	-	-	-	878,418
Total capital assets being depreciated	2,053,262	45,170	-	104,580	2,203,012
Less accumulated depreciation for:					
Buildings	362,043	20,737	-	-	382,780
Equipment	421,070	26,351	-	-	447,421
Vehicles & motorized equipment	751,059	48,337	-	-	799,396
Total accumulated depreciation	1,534,172	95,425	-	-	1,629,597
Total capital assets being depreciated, net	519,090				573,415
Business-type capital assets, net	\$ 623,670				\$ 573,415

Construction commitments

The County had no active construction commitments with contractors at June 30, 2018.

Discretely presented component unit

Activity for the Swain County Tourism Development Authority for the year ended June 30, 2018, was as follows:

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Capital assets being depreciated					
Infrastructure	\$ -	\$ 7,044	\$ -	\$ -	\$ 7,044
Equipment	93,479	4,374	-	-	97,853
Total capital assets being depreciated	93,479	11,418	-	-	104,897
Less accumulated depreciation for					
Infrastructure	-	70	-	-	70
Equipment	61,407	12,388	-	-	73,795
Total accumulated depreciation	61,407	12,458	-	-	73,865
TDA capital assets, net	\$ 32,072				\$ 31,032

B. Liabilities**1. Payables**

Payables at the government-wide level at June 30, 2018, were as follows:

	Vendors	Salaries and Benefits	IBNR	Interest Payable	Total
Governmental Activities:					
General	\$ 277,145	\$ 294,591	\$ 67,754	\$ 97,709	\$ 639,490
Other governmental	-	1,035	-	-	1,035
Total governmental activities	\$ 277,145	\$ 295,626	\$ 67,754	\$ 97,709	\$ 640,525
Business-type Activities:					
Solid waste	\$ 40,084	\$ 3,944	\$ -	\$ -	\$ 44,028

2. Pension Plan and Other Postemployment Obligations**a. Local Governmental Employees' Retirement System**

Plan Description. The County is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. County employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The County's contractually required contribution rate for the year ended June 30, 2018, was 8.25% of compensation for law enforcement officers and 7.50% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the County were \$569,589 for the year ended June 30, 2018.

Refunds of Contributions. County employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60-day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the County reported a liability of \$1,731,521 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension liability was based on a projection of the County's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2017, the County's proportion was .113%, which was a decrease of .005% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the County recognized pension expense of \$560,951. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 99,752	\$ 49,014
Changes of assumptions	247,285	-
Net difference between projected and actual earnings on pension plan investments	420,415	-
Changes in proportion and differences between County contributions and proportionate share of contributions	3,431	66,380
County contributions subsequent to the measurement date	569,589	-
Total	<u>\$ 1,340,472</u>	<u>\$ 115,394</u>

\$569,589 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2019	\$ 66,172
2020	482,141
2021	245,150
2022	(137,974)
2023	-
Thereafter	-

Actuarial Assumptions. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 7.75 percent, including inflation and productivity factor
Investment rate of return	7.20 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	<u>100.0%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's proportionate share of the net pension asset to changes in the discount rate. The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.20 percent, as well as what the County's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
County's proportionate share of the net pension liability (asset)	\$ 5,198,066	\$ 1,731,521	\$ (1,161,949)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

b. Law Enforcement Officers' Special Separation Allowance

1. Plan Description

Swain County administers a public employee retirement system (the *Separation Allowance*), a single-employer defined benefit pension plan that provides retirement benefits to the County's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2016, the Separation Allowance's membership consisted of:

Inactive members currently receiving benefits	-
Active plan members	<u>26</u>
Total membership	<u><u>26</u></u>
A separate report was not issued for	

2. Summary of Significant Accounting Policies

Basis of Accounting. The County has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the criteria which are outlined in GASB Statement 73.

3. Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2016 valuation. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.16 percent

The discount rate used to measure the TPL is the S&P Municipal Bond 20 Year High Grade Rate Index.

Mortality rates are based on the RP-2014 Mortality tables base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015.

4. Contributions

The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The County did not pay any benefits for the reporting period.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the County reported a total pension liability of \$216,197. The total pension liability was measured as of December 31, 2017 based on a December 31, 2016 actuarial valuation. The total pension liability was rolled forward to December 31, 2017 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2018, the County recognized pension expense of \$27,384.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 24,928
Changes of assumptions	18,237	4,517
County benefit payments and administrative expenses subsequent to the measurement date	-	-
Total	<u>\$ 18,237</u>	<u>\$ 29,445</u>

Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2019	\$ (2,043)
2020	(2,043)
2021	(2,043)
2022	(2,043)
2023	(2,043)
Thereafter	(993)

Sensitivity of the County's total pension liability to changes in the discount rate. The following presents the County's total pension liability calculated using the discount rate of 3.16 percent, as well as what the County's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.16 percent) or 1-percentage-point higher (4.16 percent) than the current rate:

	1% Decrease (2.16%)	Discount Rate (3.16%)	1% Increase (4.16%)
Total pension liability	\$ 5,198,066	\$ 1,731,521	\$ (1,161,949)

Schedule of Changes in Total Pension Liability Law Enforcement Officers' Special Separation Allowance

Total pension liability as of December 31, 2017	\$ 194,947
Changes for the year:	
Service Cost	21,603
Interest on the total pension liability	7,525
Change of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(29,348)
Changes of assumptions or other inputs	21,470
Benefit payments	-
Other changes	-
Net changes	<u>21,250</u>
Total pension liability as of December 31, 2018	<u>\$ 216,197</u>

Changes of assumptions. Since the Prior Measurement Date, the Discount Rate has changed from 3.86% to 3.16% due to a change in the Municipal Bond Rate. The assumed inflation rate has been reduced from 3.00% to 2.50% and assumed wage inflation has been increased from 0.5% to 1.0%.

Changes in Benefit Terms. There are no changes in benefit terms since the prior Measurement Date.

The plan currently uses mortality tables that vary by age, and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an experience study completed by the Actuary for the Local Government Employees' Retirement System for the five year period ending December 31, 2014.

c. Supplement Retirement Income Plan for Law Enforcement Officers

Plan Description. The County contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the County. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the County to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan.

The County contributed \$54,457 for the year ended June 30, 2018. No amounts were forfeited.

d. Registers of Deeds' Supplemental Pension Fund

Plan Description. Swain County also contributes to the Registers of Deeds' Supplemental Pension Fund (RODSPF), a noncontributory, cost-sharing multiple-employer defined benefit plan administered by the North Carolina Department of State Treasurer. RODSPF provides supplemental pension benefits to any eligible county register of deeds who is retired under the Local Government Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Registers of Deeds' Supplemental Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Registers of Deeds' Supplemental Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. An individual's benefits for the year are calculated as a share of accumulated contributions available for benefits for that year, subject to certain statutory limits. An individual's eligibility is based on at least 10 years of service as a register of deeds with the individual's share increasing with years of service. Because of the statutory limits noted above, not all contributions available for benefits are distributed.

Contributions. Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially determined contribution this year and for the foreseeable future is zero. Registers of Deeds do not contribute. Contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. Contributions to the pension plan from the County were \$2,595 for the year ended June 30, 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the County reported an asset of \$52,808 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2017. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension asset was based on the County's share of contributions to the pension plan, relative to contributions to the pension plan of all participating RODSPF employers. At June 30, 2017, the County's proportion was 0.31%, which was an increase of .005% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the County recognized pension expense of \$10,743. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 907	\$ 170
Changes of assumptions	8,910	-
Net difference between projected and actual earnings on pension plan investments	4,489	-
Changes in proportion and differences between County contributions and proportionate share of contributions	-	2,953
County contributions subsequent to the measurement date	2,595	-
Total	<u>\$ 16,901</u>	<u>\$ 3,123</u>

\$2,595 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2019	\$ 6,216
2020	3,308
2021	514
2022	1,145
2023	-
Thereafter	-

Actuarial Assumptions. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 7.75 percent, including inflation and productivity factor
Investment rate of return	3.75 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The adopted asset allocation policy for the RODSPF is 100% in the fixed income asset class. The best estimate of arithmetic real rate of return for the fixed income asset class as of June 30, 2017 is 1.4%.

The information above is based on 30-year expectations developed with the consulting actuary for the 2017 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 3.75%. The projection of cash flows used to determine the discount rate assumed that contributions from employers will be made at statutorily required rates. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's proportionate share of the net pension asset to changes in the discount rate. The following presents the County's proportionate share of the net pension asset calculated using the discount rate of 3.75 percent, as well as what the County's proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (2.75 percent) or 1-percentage-point higher (4.75 percent) than the current rate:

	1% Decrease (2.75%)	Discount Rate (3.75%)	1% Increase (4.75%)
County's proportionate share of the net pension liability (asset)	\$ 41,506	\$ 52,808	\$ 62,312

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

e. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability for LGERS and ROD was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability for LEOSSA was measured as of June 30, 2017, with an actuarial valuation date of December 31, 2016. The County's proportion of the net pension liability was based on the County's share of contributions to the pension plan relative to the contribution of all participating entities. Following is information related to the proportionate share and pension expense:

	LGERS	ROD	LEOSSA	Total
Proportionate share of the net pension liability (asset)	\$ 1,731,521	\$ (52,808)	\$ -	\$ 1,678,713
Proportion of the net pension liability (asset)	0.11334%	0.30938%	n/a	n/a
Total pension liability	-	-	\$ 216,197	\$ 216,197
Pension expense	\$ 560,951	\$ 10,743	\$ 27,384	\$ 599,078

At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	LGERS	ROD	LEOSSA	Total
<u>Deferred Outflows of Resources</u>				
Differences between expected and actual experience	\$ 99,752	\$ 907	\$ -	\$ 100,659
Changes of assumptions	247,285	8,910	18,237	274,432
Net difference between projected and actual earnings on pension plan investments	420,415	4,489	-	424,904
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,431	-	-	3,431
County contributions (LGERS, ROD)/benefit payments and administration costs (LEOSSA) subsequent to the measurement date	569,589	2,595	-	572,184
<u>Deferred Inflows of Resources</u>				
Differences between expected and actual experience	\$ 49,014	\$ 170	\$ 24,928	\$ 74,112
Changes of assumptions	-	-	4,517	4,517
Net difference between projected and actual earnings on pension plan investments	-	-	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	66,380	2,953	-	69,333

f. Deferred Compensation Plan

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code 457. The plan, which is available to all County employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The County has complied with changes in the laws which govern the County's Deferred Compensation Plan, requiring all assets of the plan to be held in trust for the exclusive benefit of the participants and their beneficiaries. Thus the County's Deferred Compensation Plan is not reported within the County's agency funds.

g. Other Postemployment Benefit**Healthcare Benefits**

Plan Description. Under a County resolution, Swain County administers the Healthcare Benefits Plan (HCB Plan), single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for all retirees of the County who participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least ten continuous years of creditable service with the County, depending on date of hire. The County Board has the authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits Provided. Retirees who qualify for coverage receive the same benefits as active employees. The County pays the full cost of coverage for employees' benefits as incurred, on a pay-as-you-go basis and employees have the option of purchasing dependent coverage at the County's group rates. No new dependents may be added following retirement. Spousal and dependent coverage ends once the spouse or retiree is eligible for Medicare. The HCB Plan is available to qualified retirees until the age of 65 or until Medicare eligible, whichever is sooner. The County Council may amend the benefit provisions. A separate report was not issued for the plan.

Employees are eligible to participate in the County's health plan if they retire with one of the following conditions:

- 30 years of service with the County, or
- Are at least 55 years of age with 25 years of service with the County, or
- Are at least 62 years of age and have 10 years of service with the County.

Membership of the HCB Plan consisted of the following at June 30, 2017, the date of the latest actuarial valuation:

Inactive employees or beneficiaries currently receiving benefits	5
Inactive members entitled to but not yet receiving benefits	-
Active employees	201
Total membership	<u>206</u>

Total OPEB Liability

The County's total OPEB liability of \$2,160,068 was measured as of June 30, 2017 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor (General Employees) 3.50 to 7.75 percent, including inflation and productivity factor (Law Enforcement Officers)
Discount rate	3.56 percent
Healthcare cost trend rates	7.5 percent for 2017 decreasing to an ultimate rate of 5 percent by 2023

The discount rate used to measure the TOL was based on the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by The Bond Buyer.

Changes in the Total OPEB Liability

Total OPEB Liability as of June 30, 2016	\$2,086,361
Changes for the year:	
Service Cost at the end of the year	197,360
Interest	62,448
Change in benefit terms	-
Difference between expected and actual experience	(36,464)
Changes of assumptions or other inputs	(126,117)
Benefit payments	(23,520)
Other	-
Net changes	<u>73,707</u>
Total OPEB Liability as of June 30, 2017	<u>\$2,160,068</u>

Since the Prior Measurement Date, the Discount Rate has changed from 3.01% to 3.56% due to a change in the Municipal Bond Rate.

Mortality rates were based on the RP-2014 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 - December 31, 2014, adopted by the LGERS.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56 percent) or 1-percentage-point higher (4.56 percent) than the current discount rate:

	1% Decrease (2.56%)	Discount Rate (3.56%)	1% Increase (4.56%)
Total OPEB Liability	\$ 2,395,423	\$ 2,160,068	\$ 1,950,500

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current	1% Increase
Total OPEB Liability	\$ 1,890,343	\$ 2,160,068	\$ 2,485,557

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the County recognized OPEB expense of \$239,306. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 31,866
Changes of assumptions	-	110,213
County benefit payments and administrative expenses subsequent to the measurement date	24,000	-
Total	<u>\$ 24,000</u>	<u>\$ 142,079</u>

\$24,000 reported as deferred outflows of resources related to OPEB resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2019	\$ (20,502)
2020	(20,502)
2021	(20,502)
2022	(20,502)
2023	(20,502)
Thereafter	(39,569)

h. Other Employment Benefits

The County has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. The County has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The County considers these contributions to be immaterial.

3. Deferred Outflows and Inflows of Resources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience (Pensions, OPEB)	\$ 100,659	\$ 105,978
Net difference between projected and actual investment earnings (Pensions, OPEB)	424,904	-
Change in proportion and difference between employer contributions and proportionate share of contributions (Pensions)	3,431	69,333
Change in assumptions (Pensions, OPEB)	274,432	114,730
Contributions to pension plan subsequent to measurement date (LGRS, ROD)	572,184	-
Benefit payments and administrative costs paid subsequent to the measurement date (LEOSSA)	-	-
Benefit payments for the OPEB plan paid subsequent to the measurement date	24,000	-
Prepaid taxes not yet earned (General)	-	53,263
Taxes receivable, net (General), less penalties	-	209,768
Other receivable, (General)	-	74,932
Total	<u>\$1,399,610</u>	<u>\$ 628,004</u>

4. Risk Management

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County participates in three self-funded risk-financing pools administered by the North Carolina Association of County Commissioners. Through these pools, the County obtains property coverage equal to replacement cost values of owned property subject to a limit of \$35 million for any one occurrence. The County also purchases general, auto, public officials, law enforcement, and employment practices liability coverage of \$2 million per occurrence; auto physical damage coverage for owned autos at actual cash value, crime coverage of \$250,000 per occurrence; and workers' compensation coverage up to the North Carolina statutory limits. The pools are audited annually by certified public accountants, and the audited financial statements are available to the County upon request. Two of the pools are reinsured through a multi-state public entity captive for single occurrence losses in excess of a \$500,000 retention up to a \$2 million limit for liability coverage, and \$600,000 of each loss in excess of a \$50,000 per occurrence retention for property, auto physical damage, and crime coverage. For workers' compensation there is a per occurrence retention of \$350,000. The County provides employee medical and dental benefits through a self-insured plan reinsured through the Pool. Claims are administered and paid through a third party. Specific stop loss is set at \$50,000 per individual health insurance claim and aggregate annual stop loss is set at the level of 115% of expected claims. The pool is reinsured through a commercial carrier for individual losses in excess of \$100,000.

The County pays claims and administrative costs of the program from the General Fund as they become due. All full-time employees of the County participate in the program. The claims liability of \$67,754 reported in the fund at June 30, 2018, is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statement indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The County expects all claims to be paid within the next twelve months; therefore, the entire amount is presented as current. Changes in the balances of claims liabilities during the past fiscal year are as follows:

	2018	2017
Unpaid claims - beginning	\$ 82,086	\$ 26,731
Incurred claims	1,334,890	1,468,593
Claim payments	(1,349,222)	(1,413,238)
Unpaid claims - ending	<u>\$ 67,754</u>	<u>\$ 82,086</u>

In accordance with G.S. 159-29, the County's employees that have access to \$100 or more of the County's funds at any given time are performance bonded through a commercial surety bond. The Finance Officer and the County Manager are each individually bonded for \$50,000. The Sheriff, Register of Deeds, and Tax Collector are each individually bonded for \$20,000. The remaining employees who have access to funds are bonded under a blanket bond.

The County carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage from the previous year, and settled claims have not exceeded coverage in any of the past three fiscal years.

The County does not carry flood insurance.

Discretely presented component unit

Swain County Tourism Development Authority

In accordance with G.S. 159-29, the Director of Finance of Swain County Tourism Development Authority is performance bonded through a commercial surety bond for \$50,000. This bond is a separate individual bond to protect the Authority and that names the Authority as obligee or beneficiary. This bond is in addition to the bond on the Finance Director that names the County as obligee.

5. Contingent Liabilities

At June 30, 2018, the County was a defendant to various lawsuits. In the opinion of the County's management and the County attorney, the ultimate effect of these legal matters will not have a material adverse effect on the County's financial position.

6. Long-Term Obligations

a. Capital Leases

Serviced by the County's Solid Waste Fund

The County entered into an agreement to lease certain equipment. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of its inception. The lease agreement was executed on July 1, 2017 for the lease of a forklift and requires 60 monthly payments of \$509. Under the terms of the agreement, title passes to the County at the end of the lease term.

At June 30, 2018, the County leased equipment and equipment valued at:

Classes of property	Cost	Accumulated Depreciation	Net Book Value
Equipment	\$ 27,132	\$ 3,876	\$ 23,256
	<u>\$ 27,132</u>	<u>\$ 3,876</u>	<u>\$ 23,256</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2018 were as follows:

Year Ending June 30,	
2019	\$ 6,107
2020	6,107
2021	6,107
2022	6,106
Total minimum lease payments	<u>24,427</u>
Less: amount representing interest	<u>2,220</u>
Present value of the net minimum lease payments	<u>\$ 22,207</u>

b. Installment Purchases**Serviced by the County's General Fund**

As authorized by State law (G.S. 160A-20), the County financed the renovation of Swain County High School for use by the Swain County Board of Education by entering into a Qualified Zone Academy Bond installment purchase dated December 18, 2006, in the amount of \$1,500,000, including interest at zero percent. The installment purchase was issued pursuant to a Deed of Trust that requires that legal title remain with the County as long as the debt is outstanding. The County has entered into a lease with the Swain County Board of Education. The lease contains an option to purchase at the termination of the financing agreement. The lease term is the same as that of the installment purchase obligation. The transaction requires 16 annual payments of \$77,930 to a sinking fund with Bank of America. The Sinking Fund yields a projected investment return of 5.36%. The payments began December 18, 2007. If investment earnings do not result as projected, the County will pay the required amount for the total funds to equal \$1,500,000 on December 18, 2022.

\$ 1,500,000

The County entered into an installment purchase contract (QSCB) dated January 5, 2011, in the amount of \$1,825,000 for school construction. The contract is payable in fifteen (15) annual principal installments of \$121,667, plus interest of 5.43% per annum. The installment purchase matures on December 31, 2025.

973,333

The County entered into an installment purchase contract dated August 27, 2015, in the amount of \$500,000 for three (3) vehicles. The contract is payable in seven (7) annual installments of \$77,137, including interest at 1.96% per annum. The installment purchase matures on August 27, 2022.

364,006

The County entered into an installment purchase contract dated December 14, 2011, in the amount of \$600,000 for the museum project. The contract is payable in one hundred and twenty (120) monthly installments of \$5,000, plus interest of 2.63% per annum. The installment purchase matures on December 14, 2021.

210,000

The County entered into an installment purchase contract dated September 27, 2013, in the amount of \$200,000 for the rehabilitation of a steam engine. The contract is payable in ten (10) annual principal installments of \$20,000, plus interest of 3.36% per annum. The installment purchase matures on September 27, 2023.

120,000

The County entered into an installment purchase contract dated September 27, 2013, in the amount of \$164,500 for a turn-around table and land. The contract is payable in fifteen (15) annual principal installments of \$33,333, plus interest of 4.09% per annum. The installment purchase matures on September 27, 2028.

366,667

The County entered into an installment purchase contract (QSCB) dated June 1, 2015, in the amount of \$2,400,000 for school construction. The contract is payable in fifteen (15) annual principal installments of \$160,000, plus interest of 4.44% per annum. The installment purchase matures on June 9, 2030.

1,920,000

The County entered into an installment purchase contract dated June 1, 2015, in the amount of \$800,000 for school construction. The contract is payable in fifteen (15) annual principal installments of \$53,333 plus interest of 2.89% per annum. The installment purchase matures on June 9, 2030.

640,000

The County entered into an installment purchase contract dated October 19, 2016, in the amount of \$1,889,744 for land, building, and a parking lot. The installment purchase requires five (5) annual principal payments of \$303,815, one (1) annual principal payment of \$252,000, and a final principal payment of \$118,667. Each payment will include the required principal plus interest at 1.94%. The installment purchase matures on October 19, 2022.

1,282,113

The County entered into an installment purchase contract dated October 19, 2016, in the amount of \$620,000 for two parcels of land. The contract is payable in ten (10) annual principal installments of \$62,000, plus interest at 2.28% per annum. The installment purchase matures on October 19, 2026.

558,000

The County entered into an installment purchase contract dated August 9, 2016, in the amount of \$640,000 for various vehicle purchases. The contract is payable in three (3) annual principal installments of \$220,843, including interest at 1.75% per annum. The installment purchase matures on August 9, 2019.

430,357

The County entered into an installment purchase contract dated July 19, 2017, in the amount of \$390,000 for HVAC improvements at Swain West Elementary School and camera installations at the law enforcement center. The contract is payable in six (6) annual installments of \$70,852, including interest at 2.52% per annum. The installment purchase matures on July 12, 2023.

390,000

\$	8,754,476
----	-----------

The annual debt service requirements to maturity for the County are as follows:

Year Ending June 30,	Principal	Interest
2019	\$ 1,158,488	\$ 242,514
2020	1,165,131	209,696
2021	951,061	176,732
2022	872,288	147,700
2023	2,212,063	120,692
2024 - 2028	1,935,438	299,516
2029 - 2033	460,007	27,299
Total	\$ 8,754,476	\$ 1,224,149

Debt Related to Capital Activities - Of the total Governmental Activities debt listed only \$11,085,813 relates to assets the County holds title. There is no unspent restricted cash related to this debt at June 30, 2018.

c. USDA Debt

On June 27, 2006, the County entered into a \$9,000,000 installment financing agreement with the United States Department of Agriculture for the construction of a jail building. The agreement requires thirty-eight (38) installments of \$473,130, including interest at 4.13%. The installment agreement matures on June 27, 2046.

\$	7,754,670
----	-----------

The annual debt service requirements to maturity for USDA debt are as follows:

Year Ending June 30,	Principal	Interest
2019	\$ 153,250	\$ 319,880
2020	159,571	313,559
2021	166,154	306,976
2022	173,008	300,122
2023	180,144	292,986
2024-2028	1,018,508	1,347,142
2029-2033	1,246,636	1,119,014
2034-2038	1,525,860	839,790
2039-2043	1,867,625	498,025
2044-2046	1,263,914	155,476
Total	\$ 7,754,670	\$ 5,492,970

At June 30, 2018, Swain County had a legal debt margin of \$107,739,247.

d. Long-term Obligation Activity

The following is a summary of changes in the County's long-term obligations for the fiscal year ended June 30, 2018:

	Beginning Balance, restated	Increases	Decreases	Ending Balance	Current Portion of Balance
Government Activities:					
Installment purchases	\$ 9,456,925	\$ 390,000	\$ 1,092,449	\$ 8,754,476	\$1,158,488
USDA debt	7,901,848	-	147,178	7,754,670	153,250
Compensated absences	443,123	321,582	265,735	498,970	266,000
Total OPEB liability	1,980,327	93,339	-	2,073,666	-
Net pension liability (LGRS)	2,402,755	-	740,495	1,662,260	-
Total pension liability (LEOSSA)	194,947	21,250	-	216,197	-
Total Government activities	22,379,925	826,171	2,245,857	20,960,239	\$1,577,738
Business-type activities:					
Capitalized leases	\$ -	\$ 27,132	\$ 4,925	\$ 22,207	\$ 5,154
Compensated absences	15,644	8,049	11,014	12,679	11,000
Net pension liability (LGRS)	100,115	-	30,854	69,261	-
Total OPEB liability	82,514	3,888	-	86,402	-
Total business-type activities	\$ 198,273	\$ 39,069	\$ 46,793	\$ 190,549	\$ 16,154

Net pension liability, total pension liability, and net other postemployment liability for governmental activities are all typically liquidated in the general fund. Compensated absences for governmental activities typically have been liquidated in the general fund and are accounted for on a LIFO basis, assuming that employees are taking leave time as it is earned.

No interest was capitalized during 2018; interest incurred and charged to expense totaled \$591,023.

C. Interfund Balances and Activity

Balances due to/from other funds at June 30, 2018, consist of the following:

Receivable Fund	Payable Fund	Amount	Purpose
General Fund	Solid Waste Fund	\$ 287,122	Working capital loan

The interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided matching funds for various grant programs.

Transfers to/from other funds at June 30, 2018, consist of the following:

	Transfers		Purpose
	From	To	
Swain Settlement Trust Fund	\$ 200,000		Unrestricted earnings
General Fund		\$ 200,000	
General Fund	99,732		Resources for solid waste
Solid Waste Fund		99,732	
	\$ 299,732	\$ 299,732	

Interfund transfers at June 30, 2018, consist of the following:

	Transfers		Purpose
	From	To	
Schools Capital Reserve Fund	\$ 747,332		Debt service
General Fund		\$ 747,332	
Public Safety Capital Reserve	47,461		Unused local funds
General Fund		47,461	
General Fund	40,000		USDA debt reserve
Law Enforcement Capital Reserve		40,000	
	\$ 834,793	\$ 834,793	

D. Net Investment in Capital Assets

Net investment in capital assets at June 30, 2018, is computed as follows:

	Governmental Activities	Business-type Activities
Capital assets, net of accumulated depreciation	\$ 22,676,562	\$ 573,415
Less capital debt:		
Total debt, gross	16,509,146	22,207
Less:		
School debt for assets to which the county does not hold title	(5,423,333)	-
Net capital debt	11,085,813	22,207
Net investment in capital assets	\$ 33,762,375	\$ 595,622

E. Fund Balance

Swain County has a revenue spending policy that provides for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-county funds, county funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly, unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the County.

The following schedule provides management and citizens with information on the portion of General fund balance that is available for appropriation:

Total Fund Balance - General Fund	\$ 7,472,050
Less:	
Stabilization by State Statute	1,833,866
Debt service	980,575
Education	468,810
USDA reserve	40,011
Public safety	54,359
Economic and physical development	30,570
Working Capital/ Fund Balance Policy	4,063,859
Remaining Fund Balance	-

Swain County has adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the County in such a manner that available fund balance is at least equal to greater than 8% of budgeted expenditures.

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end.

<i>Encumbrances</i>	<i>General Fund</i>	<i>Non-Major Funds</i>
	\$ -	\$ -

F. Prior Period Adjustment

During the fiscal year ended June 30, 2018, the County determined that certain transactions were recorded incorrectly in the prior year.

Fund Balance: The fund balance of the Public Safety Capital Reserve fund was reported as a non-major fund rather than consolidated with the General Fund in accordance with GASB 54. This exclusion resulted the consolidated General Fund balance being understated by \$101,705. This adjustment had no effect on the total beginning fund balance of the governmental funds.

General Fund balance, beginning as previously reported		\$ 7,900,071
Adjustment for Public Safety Capital Reserve Fund	101,705	
Net prior period adjustment		101,705
General Fund balance, beginning as restated		\$ 8,001,776

Governmental Activities: During the fiscal year ended June 30, 2018, the County discovered that capital assets and the balance owed to USDA were overstated by \$33,362 and \$19,005, respectively. The implementation of Governmental Accounting Standards Board (GASB) No. Statement 75, as described in Note IX, net position for the governmental activities decreased \$932,295. The net effect of these adjustments decreased beginning net position by \$946,652.

Governmental Activities Net position, beginning as previously reported		\$ 26,201,223
Net capital asset overstatement	(33,362)	
Net USDA debt overstatement	19,005	
Implementation of GASB 75	<u>(932,295)</u>	
Net prior period adjustment		<u>(946,652)</u>
Governmental Activities Net position, beginning as restated		<u><u>\$ 25,254,571</u></u>

IV. Joint Ventures

1. Mariana Black Regional Library - The County participates in a joint venture to operate the Mariana Black Regional Library with two other local governments. Each participating government appoints two board members to the six-member board of the Library. The County has an ongoing financial responsibility for the joint venture because the Library's continued existence depends on the participating government's continued funding. None of the participating governments has any equity interest in the Library, so no equity interest has been reflected in the financial statements at June 30, 2018. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$205,000 to the Library to supplement its activities. Complete financial statements for the Library can be obtained from the Library's office in Bryson City, North Carolina.

2. Swain County Board of Education - The County, in conjunction with the State of North Carolina and the Swain County Board of Education, participates in a joint venture to operate the Southwest Tech Community College. Each of the three participants appoints four board members to the thirteen-member Board of the Trustees of the community college. The President of the community college's student government serves as an ex officio non-voting member of the community college's Board of the Trustees. The community college is included as a component unit of the State. The County has the basic responsibility for providing funding for the facilities of the community college and also provides some financial support for the community college's operations. In addition to providing annual appropriations for the facilities, the County periodically issues general obligation bonds to provide financing for new and restructured facilities. The County has an ongoing financial responsibility for the community college because of the statutory responsibilities to provide funding for the community college's facilities. The County contributed \$139,322 to the community college during the fiscal year ended June 30, 2018.

The participating governments do not have any equity interest in the joint venture; therefore, no equity interest has been reflected in the County's financial statements at June 30, 2018. Complete financial statements for the community college may be obtained from the community college's administrative offices in Sylva, North Carolina.

3. Fontana Regional Library- Swain County supports the Fontana Regional Library by providing building space in the Marianna Black Regional Library. The County has no responsibility in appointing Board members. The County has no equity interest in the library, thus no equity interest has been reflected in the County's financial statements at June 30, 2018.

V. Jointly Governed Organizations

1. The County, in conjunction with seven other counties and fifteen municipalities, established the Southwestern N.C. Planning and Economic Development Commission (Commission). The participating governments established the Commission to coordinate funding received from various federal and State agencies. Each participating government appoints one member to the Commission's forty-four member governing board. The County paid membership fees of \$10,927 to the Commission during the fiscal year ended June 30, 2018.

2. The County, in conjunction with seven other counties, established Vaya Health, formerly Smoky Mountain Mental Health Center. The participating governments established Vaya Health to provide mental health services to the western region of North Carolina. The County designates a commissioner they wish to serve on the County Commissioner Advisory Board of Vaya Health. The County Commissioner Advisory Board serves solely in an advisory capacity and does not have authority over budgeting, personnel matters, governance or policy making. The County contributed \$20,000 to Vaya Health during the fiscal year ended June 30, 2018.

VI. Benefit Payments Issued by the State

The amounts listed below were paid directly to individual recipients by the State from federal and State monies. County personnel are involved with certain functions, primarily eligibility determinations that cause benefit payments to be issued by the State. These amounts disclose this additional aid to County recipients that do not appear in the general purpose financial statements because they are not revenues and expenditures of the County.

	Federal	State
Temporary assistance for needy families	\$ 42,456	\$ -
Medical Assistance Program	17,164,848	8,810,345
State Children's Insurance Program - NC Health Choice	758,870	816
Special Supplemental Nutrition Program for Women, Infants, & Children	215,211	-
Food stamp program	2,328,646	-
State/County Special Assistance for Adults	-	57,668
Adoption assistance	74,171	22,506
Special Assistance Aged/Special Assistance Disabled (SAA/SAD HB 1030)	-	2,652
Child Welfare Services Adoption	-	69,144
Total	<u>20,584,202</u>	<u>8,963,131</u>

VII. Summary Disclosure of Significant Commitments and Contingencies**Federal and State Assisted Programs**

The County has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

VIII. Significant Effects of Subsequent Events

Swain County has evaluated events and transactions that occurred between June 30, 2018 and December 13, 2018, which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements. No events have occurred which would have a material effect on the financial on the financial statements of the County as of that date.

IX. Extraordinary item

The United States Department of Interior has made a monetary settlement of its obligation under a 1943 agreement with Swain County. The Permanent Fund, which is a nonexpendable trust fund, has been established to receive the proceeds from the U. S. Government. Interest earned on the principal is unrestricted. No portion of the principal balance can be disbursed without a two thirds approval of the registered voters of Swain County.

X. Change in Accounting Principles/Restatement

The County implemented Governmental Accounting Standards Board (GASB) No. Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the fiscal year ending June 30, 2018. The implementation of the statement required the County to record beginning total OPEB liability and the effects on net position of benefit payments and administrative expenses paid by the County related to OPEB during the measurement period (fiscal year ending June 30, 2017). Beginning deferred outflows and inflows of resources associated with the implementation were excluded from the restatement. As a result, net position for the governmental activities decreased \$932,298 and \$44,404 for the business-type activities.

XI. New Accounting Pronouncements***Pronouncements effective for the 2018 Financial Statements:***

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions*. This Statement establishes accounting and financial reporting standards for Other Post-Employment Plans (OPEB) that are administered through trusts or equivalent arrangements which involve contributions from employers and nonemployer contributing entities to the OPEB plan. The implementation of this pronouncement did require modification of the financial statements as described in Note X.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. This Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Governments receiving resources pursuant to an irrevocable split-interest agreement are to recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. This pronouncement did not impact the County.

In March 2016, the GASB issued Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*. This Statement addresses issues regarding the presentation of payroll related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This pronouncement did not impact the County.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. This Statement addresses issues related to blending component units, goodwill, fair value measurement and application, pensions, and other post-employment benefits (OPEB). This pronouncement did not impact the County.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This pronouncement did not impact the County.

Pronouncements issued, but not yet effective, which will be adopted by the County in future years. As of the date of this report, the County has not determined the financial impact of implementing the following Statements:

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations and sets the guidance for determining the timing and pattern of recognition for liabilities and corresponding deferred outflow of resources related to asset retirement obligations. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

This section contains additional information required by generally accepted accounting principles.

Local Governmental Employees' Retirement System

- Schedule of Proportionate Share of Net Pension Liability (Asset)
- Schedule of Contributions

Register of Deeds' Supplemental Pension Fund

- Schedule of Proportionate Share of Net Pension Liability (Asset)
- Schedule of Contributions

Law Enforcement Officers' Special Separation Allowance

- Schedule of Changes in Total Pension Liability
- Schedule of Total Pension Liability as a Percentage of Covered Payroll

Other Postemployment Benefits

- Schedule of Changes in the Total OPEB Liability and Related Ratios

Swain County, North Carolina
Schedule of Proportionate Share of Net Pension Liability (Asset)
for Local Governmental Employees' Retirement System
Last Five Fiscal Years*

	2018	2017	2016	2015	2014
County's proportion of the net pension liability (asset) %	0.1133%	0.1179%	0.1084%	0.1144%	0.1150%
County's proportionate share of the net pension liability (asset) \$	\$ 1,731,521	\$ 2,502,870	\$ 486,582	\$ (678,503)	\$1,378,959
County's covered-employee payroll	\$ 6,949,607	\$ 6,351,819	\$ 5,460,155	\$ 6,073,036	\$5,537,736
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	24.92%	39.40%	8.91%	(11.17%)	24.90%
Plan fiduciary net position as a percentage of the total pension liability	94.18%	91.47%	98.09%	102.64%	94.35%
**					

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

** This will be the same percentage for all participant employers in the LGERS plan.

Swain County, North Carolina
Schedule of Contributions to Local Government Employees' Retirement System
Local Governmental Employees' Retirement System
Last Five Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 569,589	\$ 517,516	\$ 433,276	\$ 464,754	\$ 430,925
Contributions in relation to the contractually required contribution	<u>569,589</u>	<u>517,516</u>	<u>433,276</u>	<u>464,754</u>	<u>430,925</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll	\$ 6,904,112	\$ 6,949,607	\$ 6,351,819	\$ 5,460,155	\$ 6,073,036
Contributions as a percentage of covered-employee payroll	8.25%	7.45%	6.82%	8.51%	7.10%

Swain County, North Carolina
Schedule of Proportionate Share of Net Pension Liability (Asset)
for Register of Deeds' Supplemental Pension Fund
Last Five Fiscal Years*

	2018	2017	2016	2015	2014
County's proportion of the net pension liability (asset) %	0.3093%	0.3040%	0.2824%	0.2822%	0.4368%
County's proportionate share of the net pension liability (asset) \$	\$ (52,808)	\$ (56,841)	\$ (65,450)	\$ (63,966)	\$ (98,995)
Plan fiduciary net position as a percentage of the total pension liability **	153.77%	160.17%	197.29%	193.88%	190.50%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

** This will be the same percentage for all participant employers in the Register of Deeds' Supplemental Pension Fund plan.

Swain County, North Carolina
Schedule of Contributions to Registers of Deeds' Supplemental Pension Fund
Register of Deeds' Supplemental Pension Fund
Last Five Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 2,595	\$ 4,580	\$ 3,890	\$ 2,901	\$ 2,304
Contributions in relation to the contractually required contribution	<u>2,595</u>	<u>4,580</u>	<u>3,890</u>	<u>2,901</u>	<u>2,304</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Swain County, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
For the Year Ended June 30, 2018

	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 194,947	\$ 172,729
Service cost	21,603	22,281
Interest on the total pension liability	7,525	6,166
Changes of benefit terms	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(29,348)	-
Changes of assumptions or other inputs	21,470	(6,229)
Benefit payments	-	-
Other changes	-	-
Ending balance of the total pension liability	<u>\$ 216,197</u>	<u>\$ 194,947</u>

The amounts presented for each fiscal year were determined as of the prior December 31.

Swain County, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
For the Year Ended June 30, 2018

	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 216,197	\$ 194,947
Covered payroll	1,065,628	1,055,662
Total pension liability as a percentage of covered payroll	20.29%	18.47%

Notes to the schedules:

Swain County has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

Swain County, North Carolina
Schedule of Changes in the Total OPEB Liability and Related Ratios
Other Postemployment Benefits
For the Year Ended June 30, 2018

	<u>2018</u>
Total OPEB Liability	
Service cost	197,360
Interest	62,448
Changes of benefit terms	-
Differences between expected and actual experience	(36,464)
Changes of assumptions	(126,117)
Benefit payments	<u>(23,520)</u>
Net change in total OPEB liability	73,707
Total OPEB liability - beginning	<u>2,086,361</u>
Total OPEB liability - ending	<u><u>2,160,068</u></u>
 Covered payroll	 6,250,370
Total OPEB liability as a percentage of covered payroll	34.56%

Notes to Schedule

Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period:

<u>Fiscal year</u>	<u>Rate</u>
2018	3.56%

Combining and Individual Fund Statements and Schedules

MAJOR GOVERNMENTAL FUNDS

The County has the following major governmental funds:

- **General Fund** – This fund accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- **The Schools Capital Reserve Fund** - This fund is a legally budgeted fund under North Carolina General Statutes; however, for statement presentation in accordance with GASB Statement No. 54, it is consolidated in the General Fund. The Schools Capital Reserve Fund Schedule of Revenues, Expenditures, and Changes in Fund Balances is presented for informational purposes only.
- **The Economic Development Fund** - This fund is a legally budgeted fund under North Carolina General Statutes; however, for statement presentation in accordance with GASB Statement No. 54, it is consolidated in the General Fund. The Economic Development Fund Schedule of Revenues, Expenditures, and Changes in Fund Balances is presented for informational purposes only.
- **The Public Safety Capital Reserve Fund** - This fund is a legally budgeted fund under North Carolina General Statutes; however, for statement presentation in accordance with GASB Statement No. 54, it is consolidated in the General Fund. The Public Safety Capital Reserve Fund Schedule of Revenues, Expenditures, and Changes in Fund Balances is presented for informational purposes only.
- **The Law Enforcement Capital Reserve Fund** - This fund is a legally budgeted fund under North Carolina General Statutes; however, for statement presentation in accordance with GASB Statement No. 54, it is consolidated in the General Fund. The Law Enforcement Capital Reserve Schedule of Revenues, Expenditures, and Changes in Fund Balances is presented for informational purposes only.

Swain County, North Carolina
General Fund - Consolidated
Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2018

	General Fund	Schools Capital Reserve Fund	Economic Development Fund	Public Safety Capital Reserve	Law Enforcement Center Capital Reserve	Eliminations	Total
REVENUES							
Ad valorem taxes	\$ 6,063,195	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,063,195
Local option sales tax	2,874,530	762,025	-	-	-	-	3,636,555
Other taxes and licenses	140,191	-	-	-	-	-	140,191
Unrestricted intergovernmental	1,323,063	-	-	-	-	-	1,323,063
Restricted intergovernmental	4,652,788	-	-	-	-	-	4,652,788
Permits and fees	135,622	-	-	-	-	-	135,622
Sales and services	2,265,603	-	-	-	-	-	2,265,603
Investment earnings	67,595	6,385	31	115	11	-	74,137
Miscellaneous	600,872	-	32,198	-	-	-	633,070
Total revenues	18,123,459	768,410	32,229	115	11	-	18,924,224
EXPENDITURES							
Current:							
General government	4,150,860	-	-	-	-	-	4,150,860
Public safety	4,211,544	-	-	-	-	-	4,211,544
Environmental protection	97,768	-	-	-	-	-	97,768
Economic and physical development	604,262	-	25,000	-	-	-	629,262
Human services	7,222,130	-	-	-	-	-	7,222,130
Cultural and recreation	627,389	-	-	-	-	-	627,389
Education	1,176,536	-	-	-	-	-	1,176,536
Debt service:							
Principal retirement	1,239,627	-	-	-	-	-	1,239,627
Interest and fees	589,102	-	-	-	-	-	589,102
Total expenditures	19,919,218	-	25,000	-	-	-	19,944,218
Revenues over (under) expenditures	(1,795,759)	768,410	7,229	115	11	-	(1,019,994)
OTHER FINANCING SOURCES (USES)							
Transfers from other funds	994,793	-	-	-	40,000	(834,793)	200,000
Transfers to other funds	(139,732)	(747,332)	-	(47,461)	-	834,793	(99,732)
Total net transfers	855,061	(747,332)	-	(47,461)	40,000	-	100,268
Proceeds from long-term debt issued	390,000	-	-	-	-	-	390,000
Total other financing sources (uses)	1,245,061	(747,332)	-	(47,461)	40,000	-	490,268
Fund balance appropriated	-	-	-	-	-	-	-
Net change in fund balances	(550,698)	21,078	7,229	(47,346)	40,011	\$ -	(529,726)
FUND BALANCES							
Fund balance, beginning	7,428,998	447,732	23,341	101,705	-		8,001,776
Fund balance, ending	\$ 6,878,300	\$ 468,810	\$ 30,570	\$ 54,359	\$ 40,011		\$ 7,472,050

Exhibit 4

The Schools Capital Reserve Fund, the Economic Development Fund, the Public Safety Capital Reserve Fund, and the Law Enforcement Capital Reserve are legally budgeted funds under North Carolina General Statutes; however, for statement presentation in accordance with GASB Statement No. 54, they are consolidated in the General Fund.

Swain County, North Carolina

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

For the Fiscal Year Ended June 30, 2018

	Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Ad valorem taxes:			
Taxes		\$ 5,974,923	
Penalties and interest		88,272	
Total	\$ 5,924,501	6,063,195	\$ 138,694
Local option sales taxes:			
Article 39 one percent		1,444,782	
Article 40 one-half of one percent		703,492	
Article 42 one-half of one percent		307,971	
Article 44 one-half of one percent		263,081	
Medicaid hold harmless		155,204	
Total	2,725,000	2,874,530	149,530
Other taxes and licenses:			
Register of deeds - excise tax		104,376	
Local room occupancy tax		28,195	
Marriage licenses		7,620	
Total	132,000	140,191	8,191
Unrestricted intergovernmental:			
Payments in lieu of taxes - outside sources		1,282,136	
ABC profit distribution		6,370	
Utility franchise tax		34,557	
Total	1,343,000	1,323,063	(19,937)
Restricted intergovernmental:			
Federal and state grants		4,633,329	
Court facility fees		19,459	
Total	6,085,834	4,652,788	(1,433,046)
Permits and fees:			
Inspection fees		69,418	
Register of deeds		63,824	
Safe driving		2,380	
Total	154,900	135,622	(19,278)
Sales and services:			
Rents, concessions, and fees		27,634	
Tag office		72,095	
Officer fees		13,551	
Jail fees		506,169	
Ambulance fees		867,731	
Recreation fees		69,609	
Town contribution - recreation		21,000	
Town contribution - fire marshal		17,000	
Town dispatcher and PIN		26,300	
Building lease		132,233	
Chamber salary reimbursement		138,078	
Sheriff fees		215,602	
Health department fees and reimbursements		158,601	
Total	2,347,238	2,265,603	(81,635)

Swain County, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2018

	Final Budget	Actual	Variance Positive (Negative)
Investment earnings	243,000	67,595	(175,405)
Miscellaneous:			
Insurance refunds		3,472	
Interest payback		141,791	
Sales tax refund		16,211	
Other		439,398	
Total	483,821	600,872	117,051
Total revenues	19,439,294	18,123,459	(1,315,835)
EXPENDITURES			
General government:			
Governing body:			
Salaries and employee benefits		75,315	
Operating expenditures		10,092	
Travel		19,164	
Total	108,816	104,571	4,245
Administration:			
Salaries and employee benefits		277,050	
Operating expenditures		443,908	
Capital outlay		737,119	
Legal services		75,771	
Total	1,699,653	1,533,848	165,805
Board of Elections:			
Salaries and employee benefits		104,932	
Operating expenditures		67,703	
Total	201,770	172,635	29,135
Finance:			
Salaries and employee benefits		218,813	
Operating expenditures		31,803	
Professional services		87,900	
Total	344,084	338,516	5,568
Tax and mapping:			
Salaries and employee benefits		227,959	
Operating expenditures		92,287	
Capital outlay		6,147	
Total	354,619	326,393	28,226
Register of deeds:			
Salaries and employee benefits		157,675	
Operating expenditures		55,810	
Recording fees		60,967	
Total	308,575	274,452	34,123

Swain County, North Carolina

General Fund

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2018**

	Final Budget	Actual	Variance Positive (Negative)
Public buildings:			
Salaries and employee benefits		612,319	
Operating expenditures		173,767	
Capital outlay		22,791	
Maintenance and repairs		128,151	
Utilities and fuel		169,418	
Insurance		16,353	
Total	<u>1,150,524</u>	<u>1,122,799</u>	<u>27,725</u>
Court facilities:			
Salaries and employee benefits			
Operating expenditures		22,996	
Total	<u>35,000</u>	<u>22,996</u>	<u>12,004</u>
Data processing:			
Salaries and employee benefits		96,922	
Operating expenditures		63,917	
Capital outlay		13,537	
Total	<u>191,661</u>	<u>174,376</u>	<u>17,285</u>
Tag office:			
Salaries and employee benefits		77,411	
Operating expenditures		2,863	
Total	<u>85,834</u>	<u>80,274</u>	<u>5,560</u>
Total general government	<u>4,480,536</u>	<u>4,150,860</u>	<u>329,676</u>
Public safety:			
Sheriff's department:			
Salaries and employee benefits		1,556,620	
Operating expenditures		430,787	
Total	<u>2,025,147</u>	<u>1,987,407</u>	<u>37,740</u>
Jail:			
Salaries and employee benefits		759,329	
Operating expenditures		208,698	
Food		170,282	
Medical expenditures		132,936	
Total	<u>1,311,348</u>	<u>1,271,245</u>	<u>40,103</u>
Emergency management:			
Salaries and employee benefits		86,198	
Operating expenditures		37,536	
Capital outlay		16,117	
Total	<u>149,432</u>	<u>139,851</u>	<u>9,581</u>

Swain County, North Carolina

General Fund

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2018**

	Final Budget	Actual	Variance Positive (Negative)
Emergency communications:			
Salaries and employee benefits		346,246	
Operating expenditures		21,357	
Total	<u>388,761</u>	<u>367,603</u>	<u>21,158</u>
Inspections:			
Salaries and employee benefits		112,199	
Operating expenditures		22,974	
Total	<u>141,445</u>	<u>135,173</u>	<u>6,272</u>
Medical examiner:			
Professional services		14,800	
Total	<u>18,000</u>	<u>14,800</u>	<u>3,200</u>
Special appropriations:			
Fire departments		255,891	
Rescue squad		39,574	
Total	<u>303,466</u>	<u>295,465</u>	<u>8,001</u>
Total public safety	<u>4,337,599</u>	<u>4,211,544</u>	<u>126,055</u>
Environmental protection:			
Solid waste:			
Salaries and employee benefits		77,415	
Operating expenditures		20,353	
Total	<u>118,712</u>	<u>97,768</u>	<u>20,944</u>
Total environmental protection	<u>118,712</u>	<u>97,768</u>	<u>20,944</u>
Economic and physical development:			
Agriculture extension:			
Salaries and employee benefits		283,996	
Operating expenditures		38,586	
Total	<u>333,921</u>	<u>322,582</u>	<u>11,339</u>
Community development:			
SW Commission - CBA		62,868	
SW Commission - CBA Match		6,287	
JCPC		2,328	
Total	<u>73,500</u>	<u>71,483</u>	<u>2,017</u>
Economic development:			
Salaries and employee benefits		60,652	
Operating expenditures		3,804	
Contract services		13,221	
Total	<u>82,336</u>	<u>77,677</u>	<u>4,659</u>
Chamber of commerce:			
Salaries and employee benefits		132,520	
Total	<u>144,509</u>	<u>132,520</u>	<u>11,989</u>
Total economic and physical development	<u>634,266</u>	<u>604,262</u>	<u>30,004</u>

Swain County, North Carolina

General Fund

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2018**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Human services:			
Social services:			
Administration:			
Salaries and employee benefits		2,011,463	
Operating expenses		363,732	
Travel		7,078	
Capital outlay		30,215	
Total		<u>2,412,488</u>	
Programs:			
TANF		69,958	
Medical transportation		63,905	
Foster care		601,608	
Special assistance		61,780	
Child support		24,171	
Crisis intervention		65,341	
Daycare		147,199	
Blind		1,648	
Total		<u>1,035,610</u>	
Total Social services	<u>4,353,782</u>	<u>3,448,098</u>	<u>905,684</u>
Health functions:			
Emergency medical services:			
Salaries and employee benefits		1,005,142	
Operating expenditures		228,393	
Total		<u>1,233,535</u>	
Veterans service officer:			
Salaries and employee benefits		4,530	
Total		<u>4,530</u>	
Health department:			
General:			
Salaries and employee benefits		929,598	
Operating expenses		155,143	
Capital outlay		1,639	
Total		<u>1,086,380</u>	
Breast and cervical cancer:			
Salaries and employee benefits		1,360	
Operating expenses		10,459	
Total		<u>11,819</u>	
Wise women:			
Salaries and employee benefits		576	
Operating expenses		1,048	
Total		<u>1,624</u>	
Child services coordination:			
Salaries and employee benefits		2,440	
Operating expenses		3,452	
Total		<u>5,892</u>	

Swain County, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2018

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Adult health:			
Salaries and employee benefits		8,511	
Operating expenses		46,004	
Total		<u>54,515</u>	
Immunization action plan:			
Salaries and employee benefits		388	
Operating expenses		615	
Total		<u>1,003</u>	
Health promotion:			
Salaries and employee benefits		3,258	
Operating expenses		3,267	
Total		<u>6,525</u>	
Environmental health:			
Salaries and employee benefits		10,885	
Operating expenses		16,084	
Total		<u>26,969</u>	
Maternal health:			
Operating expenses		2,522	
Total		<u>2,522</u>	
Child health:			
Salaries and employee benefits		2,078	
Operating expenses		7,816	
Total		<u>9,894</u>	
Well program:			
Salaries and employee benefits		55	
Total		<u>55</u>	
HIPPA:			
Salaries and employee benefits		1,259	
Operating expenses		1,166	
Total		<u>2,425</u>	
Women, infants, and children:			
WIC Client services:			
Salaries and employee benefits		2,724	
Operating expenses		2,699	
Total		<u>5,423</u>	
WIC Nutritional education:			
Salaries and employee benefits		515	
Total		<u>515</u>	
WIC Breastfeeding promotion:			
Salaries and employee benefits		682	
Total		<u>682</u>	
WIC General administration:			
Salaries and employee benefits		504	
Total		<u>504</u>	
Total women, infants, and children		<u>7,124</u>	

Swain County, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2018

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
MCC:			
Salaries and employee benefits		1,965	
Operating expenses		1,398	
Total		<u>3,363</u>	
Food and lodging:			
Salaries and employee benefits		112	
Operating expenses		40	
Total		<u>152</u>	
Family planning:			
Salaries and employee benefits		4,020	
Operating expenses		30,538	
Total		<u>34,558</u>	
In-home aid:			
Salaries and employee benefits		249,894	
Operating expenses		10,482	
Total		<u>260,376</u>	
Communicable disease:			
Salaries and employee benefits		811	
Operating expenses		8,648	
Total		<u>9,459</u>	
CAP program:			
Salaries and employee benefits		135,572	
Operating expenses		27,987	
Total		<u>163,559</u>	
Chore:			
Salaries and employee benefits		74,096	
Operating expenses		5,504	
Total		<u>79,600</u>	
Total health department		<u>1,767,814</u>	
Special appropriations:			
Safe program		15,000	
Elderly transportation		117,584	
Smoky Mountain Mental Health		34,770	
Other		600,799	
Total		<u>768,153</u>	
Total health functions	<u>3,786,885</u>	<u>3,774,032</u>	<u>12,853</u>
Total human services	<u>8,140,667</u>	<u>7,222,130</u>	<u>918,537</u>
Cultural and recreation:			
Recreation:			
Salaries and employee benefits		224,150	
Operating expenditures		134,033	
Repairs and maintenance		18,968	
Total	<u>450,450</u>	<u>377,151</u>	<u>73,299</u>

Swain County, North Carolina

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

For the Fiscal Year Ended June 30, 2018

	Final Budget	Actual	Variance Positive (Negative)
Cultural:			
NC Forestry		45,238	
Marianna Black Library		205,000	
Total	251,728	250,238	1,490
Total cultural and recreation	702,178	627,389	74,789
Education:			
Public schools:			
Public schools - current		850,000	
Public schools - SRS USFS Timber		9,024	
Public schools - capital outlay		178,190	
Community college:			
Community college - current		139,322	
Total education	1,217,862	1,176,536	41,326
Debt service:			
Principal retirements	1,337,097	1,239,627	97,470
Interest and fees	589,200	589,102	98
Total debt service	1,926,297	1,828,729	97,568
Contingency	-	-	-
Total expenditures	21,558,117	19,919,218	1,638,899
Revenues over (under) expenditures	(2,118,823)	(1,795,759)	323,064
OTHER FINANCING SOURCES (USES)			
Transfers from other funds:			
Schools Capital Reserve Fund	1,000,000	747,332	(252,668)
Public Safety Capital Reserve Fund	60,000	47,461	(12,539)
Swain Settlement Trust Fund	200,000	200,000	-
Total	1,260,000	994,793	(265,207)
Transfers to other funds:			
Law Enforcement Capital Reserve Fund	(40,000)	(40,000)	-
Solid Waste Fund	(122,732)	(99,732)	23,000
Total	(162,732)	(139,732)	23,000
Total net transfers	1,097,268	855,061	(242,207)
Proceeds from long-term debt issued	400,000	390,000	(10,000)
Total other financing sources (uses)	1,497,268	1,245,061	(252,207)
Revenues and other sources over (under)	(621,555)	(550,698)	70,857
Appropriated fund balance	621,555	-	(621,555)
Net change in fund balance	\$ -	(550,698)	\$ (550,698)
FUND BALANCE			
Fund balance, beginning		7,428,998	
Fund balance, ending		\$ 6,878,300	

**Swain County, North Carolina
Schools Capital Reserve Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2018**

	Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Local option sales taxes:			
Article 40 one-half of one percent		\$ 300,068	
Article 42 one-half of one percent		461,957	
Total		<u>762,025</u>	
Investment earnings		6,385	
Total revenues	<u>\$ 1,000,000</u>	<u>768,410</u>	<u>\$ (231,590)</u>
OTHER FINANCING SOURCES (USES)			
Transfer to other funds:			
General Fund	(1,000,000)	(747,332)	252,668
Total other financing sources (uses)	<u>(1,000,000)</u>	<u>(747,332)</u>	<u>252,668</u>
Revenues and other sources over (under) expenditures	-	21,078	21,078
Net change in fund balance	<u>\$ -</u>	<u>21,078</u>	<u>\$ 21,078</u>
FUND BALANCE			
Fund balance, beginning		447,732	
Fund balances, ending		<u>\$ 468,810</u>	

Swain County, North Carolina
Economic Development Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2018

	Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Revolving loan payback		\$ 32,198	
Investment earnings		31	
Total revenues	\$ 100,000	32,229	\$ (67,771)
EXPENDITURES			
Economic redevelopment		25,000	
Total expenditures	100,000	25,000	75,000
Revenues over (under) expenditures	-	7,229	7,229
OTHER FINANCING SOURCES (USES)			
Transfer from other funds:			
General Fund	-	-	-
Total other financing sources (uses)	-	-	-
Revenues and other sources over (under) expenditures	-	7,229	7,229
Net change in fund balance	\$ -	7,229	\$ 7,229
FUND BALANCE			
Fund balance, beginning		23,341	
Fund balances, ending		\$ 30,570	

Swain County, North Carolina
Public Safety Capital Reserve Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2018

	Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Investment earnings		\$ 115	
Total revenues	\$ -	115	\$ 115
Revenues over (under) expenditures	-	115	115
OTHER FINANCING SOURCES (USES)			
Transfer to other funds:			
General Fund	(60,000)	(47,461)	12,539
Total other financing sources (uses)	(60,000)	(47,461)	12,539
Revenues and other sources over (under) expenditures	(60,000)	(47,346)	12,654
Appropriated fund balance	60,000	-	(60,000)
Net change in fund balance	\$ -	(47,346)	\$ (47,346)
FUND BALANCE			
Fund balance, beginning		101,705	
Fund balances, ending		\$ 54,359	

Swain County, North Carolina
Law Enforcement Center Capital Reserve Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2018

	Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Investment earnings		\$ 11	
Total revenues	\$ -	11	\$ 11
EXPENDITURES			
Current:			
Public safety:			
Contingency	40,000	-	40,000
Total expenditures	40,000	-	40,000
Revenues over (under) expenditures	(40,000)	11	40,011
OTHER FINANCING SOURCES (USES)			
Transfer from other funds:			
General Fund	40,000	40,000	-
Total other financing sources (uses)	40,000	40,000	-
Revenues and other sources over (under) expenditures	-	40,011	40,011
Net change in fund balance	\$ -	40,011	\$ 40,011
FUND BALANCE			
Fund balance, beginning		-	
Fund balances, ending		\$ 40,011	

PERMANENT FUND

The County has one major governmental permanent fund.

Permanent funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs.

Swain Settlement Trust Fund – This fund accounts for the resources received from the partial Settlement of the 1943 Agreement with the U.S. Department of the Interior. The interest earned on the non-expendable trust principal is unrestricted.

Swain County, North Carolina
Swain Settlement Trust Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2018

	Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Investment earnings:			
Interest earned		\$ 794,001	
Total revenues	\$ 200,000	794,001	\$ 594,001
OTHER FINANCING SOURCES (USES)			
Transfer to other funds			
General fund	(200,000)	(200,000)	-
Total other financing sources (uses)	(200,000)	(200,000)	-
EXTRAORDINARY ITEM			
Settlement - U.S. Department of the Interior	-	39,200,000	39,200,000
Total extraordinary item	-	39,200,000	39,200,000
Revenues and other sources over (under) expenditures	-	39,794,001	39,794,001
Appropriated fund balance	-	-	-
Revenues, other sources, and appropriated fund balance over (under) expenditures	\$ -	39,794,001	\$ 39,794,001
FUND BALANCE			
Fund balance, beginning		13,595,488	
Fund balance, ending		\$ 53,389,489	

NON-MAJOR GOVERNMENTAL FUNDS

The County has the following non-major governmental funds:

Special Revenue Funds:

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Emergency Telephone System Fund – This fund was established in accordance with North Carolina law to account for the accumulation of telephone surcharges to be used for emergency telephone systems.

Family Preservation Grant Fund - This fund is established to account for the grant to serve families at risk or in crisis, to develop or expand and operate coordinated programs of community-based family support services, family preservation services, family reunification services, and adoption promotion and support services.

Swain County, North Carolina
Combining Balance Sheet
Non-major Governmental Funds - Special Revenue Funds
June 30, 2018

	Emergency Telephone System Fund	Family Preservation Grant Fund	Total Non-major Special Revenue Funds
ASSETS			
Cash and cash equivalents	\$ 77,281	\$ 35,343	\$ 112,624
Total assets	<u>\$ 77,281</u>	<u>\$ 35,343</u>	<u>\$ 112,624</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 1,035	\$ -	\$ 1,035
Due to other funds	8,183	8,912	17,095
Total liabilities	<u>9,218</u>	<u>8,912</u>	<u>18,130</u>
DEFERRED INFLOWS OF RESOURCES			
Taxes receivable	-	-	-
Unearned revenues	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:			
Restricted:			
Stabilization by State Statute	-	-	-
Public safety	68,063	-	68,063
Human services	-	26,431	26,431
Unassigned	-	-	-
Total fund balances	<u>68,063</u>	<u>26,431</u>	<u>94,494</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 77,281</u>	<u>\$ 35,343</u>	<u>\$ 112,624</u>

Swain County, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-major Governmental Funds - Special Revenue Funds
For the Fiscal Year Ended June 30, 2018

	Emergency Telephone System Fund	Family Preservation Grant Fund	Total Non-major Special Revenue Funds
REVENUES			
Restricted intergovernmental	\$ 222,674	\$ 128,730	\$ 351,404
Total revenues	222,674	128,730	351,404
EXPENDITURES			
Current:			
Public safety	236,146	-	236,146
Human services	-	135,368	135,368
Total expenditures	236,146	135,368	371,514
Excess (deficiency) of revenues over expenditures	(13,472)	(6,638)	(20,110)
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	-	-	-
Transfers to other funds	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	(13,472)	(6,638)	(20,110)
FUND BALANCE			
Fund balance, beginning	81,535	33,069	114,604
Fund balances, ending	\$ 68,063	\$ 26,431	\$ 94,494

Swain County, North Carolina
Emergency Telephone System Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2018

	Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Restricted intergovernmental			
Fees charged		\$ 222,674	
Total revenues	\$ 329,010	222,674	\$ (106,336)
EXPENDITURES			
Public safety			
Implemental functions		76,741	
Telephone		21,201	
Hardware maintenance		94,622	
Training		3,538	
Other		2,822	
Capital outlay		37,222	
Total expenditures	329,010	236,146	92,864
Revenues over (under) expenditures	-	(13,472)	(13,472)
OTHER FINANCING SOURCES (USES)			
Transfer from other funds		-	
Transfer to other funds		-	
Total other financing sources (uses)	-	-	-
Revenues and other sources over (under) expenditures	-	(13,472)	(13,472)
Appropriated fund balance	-	-	-
Revenues, other sources, and appropriated fund balance over (under) expenditures	\$ -	(13,472)	\$ (13,472)
FUND BALANCE			
Fund balance, beginning		81,535	
Fund balance, ending		\$ 68,063	

Swain County, North Carolina
Family Preservation Grant Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2018

	Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Restricted intergovernmental			
Family Preservation Grant		\$ 128,730	
Total revenues	\$ 150,000	128,730	\$ (21,270)
EXPENDITURES			
Human Services			
Contract labor		103,823	
Staff development and training		112	
Communications and telephone		5,251	
Travel		495	
Supplies		22,587	
Dues and subscriptions		3,100	
Total expenditures	150,000	135,368	14,632
Revenues over (under) expenditures	-	(6,638)	(6,638)
OTHER FINANCING SOURCES (USES)			
Transfer from other funds		-	
Transfer to other funds		-	
Total other financing sources (uses)	-	-	-
Revenues and other sources over (under) expenditures	-	(6,638)	(6,638)
Appropriated fund balance	-	-	-
Revenues, other sources, and appropriated fund balance over (under) expenditures	\$ -	(6,638)	\$ (6,638)
FUND BALANCE			
Fund balance, beginning		33,069	
Fund balance, ending		\$ 26,431	

ENTERPRISE FUND

The Swain County Solid Waste Fund - This fund is used to account for the operation of the solid waste operation.

Swain County, North Carolina
Solid Waste Fund
Schedule of Revenues, Expenditures - Budget and Actual (non-GAAP)
For the Year Ended June 30, 2018

	Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Operating revenues:			
Charges for services:			
Solid waste charges		\$ 702,669	
Landfill use fee		43,033	
Recycling		36,842	
Cardboard fee		53,892	
Total operating revenues	\$ 890,420	836,436	\$ (53,984)
Nonoperating revenues:			
Solid waste disposal tax		11,353	
Scrap tire disposal tax		19,823	
White goods disposal tax		9,515	
Total nonoperating revenues	13,000	40,691	27,691
Total revenues	903,420	877,127	(26,293)
EXPENDITURES			
Solid waste disposal:			
Salaries		228,279	
Social security		17,067	
Group insurance		52,000	
Retirement		15,522	
Telephone		1,475	
Utilities		7,830	
Insurance - workers' comp		20,000	
Maintenance and repairs		8,710	
Supplies and materials		7,605	
Fuel		14,438	
Contracted service		19,028	
Uniforms		5,908	
Disposal		498,749	
Insurance - vehicles		20,000	
Use tax		16,130	
Miscellaneous		135	
Total solid waste disposal	1,119,652	932,876	186,776
Capital outlay	50,000	45,170	4,830
Debt service:			
Principal	5,000	4,925	75
Interest	1,500	1,182	318
Total debt service	6,500	6,107	393
Total expenditures	1,176,152	984,153	191,999
Revenues over (under) expenditures	(272,732)	(107,026)	165,706
OTHER FINANCING SOURCES (USES)			
Transfer from other funds:			
General Fund	272,732	99,732	(173,000)
Total other financing sources (uses)	272,732	99,732	(173,000)
Revenues and other sources over (under) expenditures	\$ -	\$ (7,294)	\$ (7,294)

Reconciliation from Budgetary Basis**(modified accrual) to Full accrual:**

Revenues and other financing sources over (under) expenditures and other uses	<u>\$ (7,294)</u>
--	-------------------

Reconciling items:

Principal retirement	4,925
Capital outlay	45,170
Increase (decrease) in deferred outflows of resources - pensions	(31,355)
Increase (decrease) in deferred outflows of resources - OPEB	960
Decrease (increase) in net pension liability	30,854
Decrease (increase) in net OPEB liability	(3,888)
Decrease (increase) in accrued vacation pay	2,965
Decrease (increase) in deferred inflows of resources - pensions	847
Decrease (increase) in deferred inflows of resources - OPEB	(5,684)
Depreciation	<u>(95,425)</u>
Total reconciling items	<u>(50,631)</u>
Change in net position	<u><u>\$ (57,925)</u></u>

AGENCY FUNDS

Agency Funds are used to account for assets held by the county as an agent for individuals and/or other governments.

- **Fines and Forfeitures Fund** – This fund accounts for legal fines and forfeitures collected by the County that are required to be remitted to the Swain County Board of Education.
- **Municipal Tax Fund** - which accounts for funds that are billed and collected by the County for various municipalities and special districts within the County but that are not revenues to the County.
- **Deed of Trust Fee Fund** – This fund accounts for five dollars of each fee collected by the Register of Deeds for registering or filing a deed of trust or mortgage and remitted to the State Treasurer on a monthly basis.
- **Inmate Trust Fund** – This fund accounts for monies held by the Jail for the benefit of inmates while they are incarcerated and for funds held for the Clerk of the Court.
- **Social Services Fund** - This fund accounts for monies held by the Social Services Department for the benefit of certain individuals in the County.

Swain County, North Carolina
Combining Statement of Fiduciary Assets and Liabilities
For the Fiscal Year Ended June 30, 2018

	Beginning Balance	Additions	Deductions	Ending Balance
Fines and Forfeitures Fund				
Assets:				
Cash and cash equivalents	\$ -	\$ 69,186	\$ 69,186	\$ -
Liabilities:				
Intergovernmental payable - Swain County Board of Education	\$ -	\$ 69,186	\$ 69,186	\$ -
Municipal Tax Fund				
Assets:				
Cash and cash equivalents	\$ 3,039	\$ 34,544	\$ 34,371	\$ 3,212
Liabilities:				
Miscellaneous liabilities	\$ 3,039	\$ 34,544	\$ 34,371	\$ 3,212
Deed of Trust Fees Fund				
Assets:				
Cash and cash equivalents	\$ -	\$ 9,852	\$ 9,740	\$ 112
Liabilities:				
Intergovernmental payable - State of North Carolina	\$ -	\$ 9,852	\$ 9,740	\$ 112
Inmate Trust Fund				
Assets:				
Cash and cash equivalents	\$ 41,678	\$ 38,356	\$ 41,678	\$ 38,356
Liabilities:				
Miscellaneous liabilities	\$ 41,678	\$ 38,356	\$ 41,678	\$ 38,356
Social Services Fund				
Assets:				
Cash and cash equivalents	\$ 17,812	\$ 167,482	\$ 164,149	\$ 21,145
Liabilities:				
Miscellaneous liabilities	\$ 17,812	\$ 167,482	\$ 164,149	\$ 21,145
Totals - All Agency Funds				
Assets:				
Cash and cash equivalents	\$ 62,529	\$ 319,420	\$ 319,124	\$ 62,825
Liabilities:				
Miscellaneous liabilities	\$ 62,529	\$ 240,382	\$ 240,198	\$ 62,713
Intergovernmental payable - Swain County Board of Education	-	69,186	69,186	-
Intergovernmental payable - State of North Carolina	-	9,852	9,740	112
Total liabilities	\$ 62,529	\$ 319,420	\$ 319,124	\$ 62,825

OTHER SCHEDULES

This section contains additional information required on property taxes and transfers.

- Schedule of Ad Valorem Taxes Receivable
- Analysis of Current Tax Levy – County-Wide Levy
- Schedule of Transfers

Swain County, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2018

<u>Fiscal Year</u>	<u>Uncollected Beginning Balance</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Ending Balance</u>
2017-2018	\$ -	\$ 5,998,297	\$ 5,769,967	\$ 228,330
2016-2017	224,701	-	105,844	118,857
2015-2016	143,120	-	45,215	97,905
2014-2015	96,711	-	27,069	69,642
2013-2014	77,774	-	18,663	59,111
2012-2013	53,876	-	16,097	37,779
2011-2012	35,998	-	10,995	25,003
2010-2011	23,575	-	8,561	15,014
2009-2010	15,960	-	4,193	11,767
2008-2009	15,125	-	3,437	11,688
2007-2008	11,170	-	11,170	
	<u>\$ 698,010</u>	<u>\$ 5,998,297</u>	<u>\$ 6,021,211</u>	675,096
Less: allowance for uncollectible accounts:				
General fund				<u>(465,328)</u>
Ad valorem taxes receivable - net:				
General fund				<u>\$ 209,768</u>
 <u>Reconciliation with revenues:</u>				
Ad valorem taxes - General fund				\$ 6,063,195
Reconciling items:				
Interest collected				(88,272)
Release and adjustments				35,153
Taxes written off				<u>11,135</u>
Total reconciling items				<u>(41,984)</u>
Total collections and credits				<u>\$ 6,021,211</u>

Swain County, North Carolina
Analysis of Current Tax Levy
County - Wide Levy
For the Fiscal Year Ended June 30, 2018

	County - Wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 1,698,938,055	0.36	\$ 6,116,177	\$ 5,781,715	\$ 334,462
Total	<u>1,698,938,055</u>		<u>6,116,177</u>	<u>5,781,715</u>	<u>334,462</u>
Discoveries:					
Current year taxes	80,136,667	0.36	288,492	288,492	-
Total	<u>80,136,667</u>		<u>288,492</u>	<u>288,492</u>	<u>-</u>
Abateements					
Taxes	(112,811,111)		(406,372)	(406,372)	-
Total property valuation	<u>\$ 1,666,263,611</u>		<u>(406,372)</u>	<u>(406,372)</u>	<u>-</u>
Net levy			5,998,297	5,663,835	334,462
Uncollected taxes at June 30, 2018			<u>(228,330)</u>	<u>(228,330)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 5,769,967</u>	<u>\$ 5,435,505</u>	<u>\$ 334,462</u>
Current levy collection percentage			<u>96.19%</u>	<u>95.97%</u>	<u>100.00%</u>

Swain County, North Carolina
Schedule of Transfers
For the Fiscal Year Ended June 30, 2018

Operating Transfers From/To Other Funds	Transfers	
	From	To
Schools Capital Reserve Fund	\$ 747,332	
General Fund		\$ 747,332
Capital Projects - Public Safety Fund	47,461	
General Fund		47,461
Swain Settlement Trust Fund	200,000	
General Fund		200,000
General Fund	40,000	
Law Enforcement Capital Reserve		40,000
General Fund	99,732	
Solid Waste Fund		99,732
	<u>\$ 1,134,525</u>	<u>\$ 1,134,525</u>

COMPLIANCE SECTION

Turner & Company CPAs P.A.

31 Peachtree Street • Murphy, NC 28906 • Phone (828) 837-8188 • Fax (828) 837-5313

Independent Auditors' Report On Internal Control Over Financial Reporting And On Compliance and Other Matters Based On An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards*

To the Board of County Commissioners
Swain County, North Carolina

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Swain County, North Carolina, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprises Swain County's basic financial statements, and have issued our report thereon dated December 13, 2018. Our report includes a reference to another auditor who audited the financial statements of the Swain County Tourist Development Authority, as described in our report on Swain County's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported separately by this auditor. The financial statements of the Swain County Tourist Development Authority were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Swain County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Swain County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, as described in the accompanying schedule of findings and questioned costs, as item 2018-001, that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Swain County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Swain County's Response to Findings

Swain County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Turner & Company CPAs P.A.

Turner & Company CPAs P.A.

Murphy, North Carolina

December 13, 2018

Turner & Company CPAs P.A.

31 Peachtree Street • Murphy, NC 28906 • Phone (828) 837-8188 • Fax (828) 837-5313

Independent Auditors' Report on Compliance With Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance With OMB Uniform Guidance and the State Single Audit Implementation Act

To the Board of County Commissioners
Swain County, North Carolina

Report on Compliance for Each Major Federal Program

We have audited Swain County, North Carolina, compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Swain County's major federal programs for the year ended June 30, 2018. Swain County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Swain County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Those standards, OMB Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Swain County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Swain County's compliance.

Opinion on Each Major Federal Program

In our opinion, Swain County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2018-002 through 2018-004. Our opinion on each major federal program is not modified with respect to these matters.

Swain County's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. Swain County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Swain County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Swain County's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in *internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2018-002 through 2018-004 that we consider to be significant deficiencies.

Swain County's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Swain County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Turner & Company CPAs P.A.
Murphy, North Carolina
December 13, 2018

Turner & Company CPAs P.A.

31 Peachtree Street • Murphy, NC 28906 • Phone (828) 837-8188 • Fax (828) 837-5313

Independent Auditors' Report On Compliance With Requirements Applicable To Each Major State Program And Internal Control Over Compliance; In Accordance With OMB Uniform Guidance and the State Single Audit Implementation Act

To the Board of County Commissioners
Swain County, North Carolina

Report on Compliance for Each Major State Program

We have audited Swain County, North Carolina, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Swain County's major state programs for the year ended June 30, 2018. Swain County's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Swain County's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, Uniform Guidance, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about Swain County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of Swain County's compliance.

Opinion on Each Major State Program

In our opinion, Swain County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with applicable sections of the Uniform Guidance as described in the *Audit Manual for Governmental Auditors in North Carolina* and which are described in the accompanying schedule of findings and questioned costs as items 2018-002 through 2018-004. Our opinion on each major state program is not modified with respect to these matters.

Swain County's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. Swain County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Swain County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Swain County's internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2018-002 through 2018-004 that we consider to be significant deficiencies.

Swain County's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. Swain County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Turner & Company CPAs P.A.
Murphy, North Carolina
December 13, 2018

Swain County, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2018

I. Summary of Auditors' Results

Financial Statements

Type of report the auditors' issued on whether the financial statements audited were prepared in accordance to GAAP:
Unmodified

Internal control over financial reporting:

- Material Weakness(es) identified yes X no
- Significant Deficiency(s) X yes none reported

Noncompliance material to financial statements noted yes X no

Federal Awards

Internal control over major federal programs:

- Material Weakness(es) identified yes X no
- Significant Deficiency(s) X yes none reported

Type of auditors' report issued on compliance for major federal programs: Unmodified.

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? X yes no

Identification of major Federal Programs:

Name of Federal Program or Cluster	CFDA#
Medical Assistance Program (Title XIX Medicaid)	93.778
Supplemental Nutrition Assistance Program	10.561
Social Services Block Grant	93.667
Foster Care and Adoption Cluster	93.658, 93.659

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee yes X no

State Awards

Internal control over major State programs:

- Material Weakness(es) identified yes X no
- Significant Deficiency(s) X yes none reported

Type of auditors' report issued on compliance for major State programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act X yes no

Identification of major State Programs (Dollar threshold over \$500,000):

Program Name
Medical Assistance Program (Medicaid; Title XIX)
Supplemental Nutrition Assistance Program
Social Services Block Grant
General Aid to Counties
Foster Care and Adoption Cluster

**Swain County, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2018**

II. Financial Statement Findings

Finding: 2018-001

SIGNIFICANT DEFICIENCY

Criteria: Management should have a system in place to reduce the likelihood of errors in financial reporting.

Condition: Controls over some accounting functions have been designed but not properly implemented. It appears that progress has been made from the prior fiscal year.

Effect: Lack of proper implementation of control policies greatly increases the risk of an error or irregularity going undetected and can result in improper financial reporting.

Cause: There are a limited number of personnel for certain functions.

Identification of a repeat finding: This is a repeat finding from the immediate previous audit, 2017-001.

Recommendation: The County should strengthen existing internal controls and implement additional controls to ensure that required reporting is completed timely and accurately.

Views of responsible officials and planned corrective actions: The County agrees with this finding and will adhere to the corrective action plan on page 105 in this audit report.

III. Federal Award Findings and Questioned Costs

U.S. Department of Health & Human Services

Passed-through the N.C. Dept. of Health and Human Services

Program Name: Medical Assistance Program (Medicaid; Title XIX)

CFDA # 93.778

Grant Number: XXXX

Finding: 2018-002

SIGNIFICANT DEFICIENCY

Eligibility

Criteria: The Swain County Department of Social Services is required to determine client eligibility in accordance with eligibility requirements defined in the approved State plan (42 CFR Section 431.10).

Federal regulations require all states to implement a program to verify vehicles and other personal property of individuals when determining Medicaid eligibility. North Carolina's Online Verification System (OVS) is an automated system that obtains electronic verification of vehicles directly from the North Carolina Department of Motor Vehicles (NC DMV) for individuals applying or subject to redetermination for Medicaid. Caseworkers submit verification requests electronically and receive responses through NCFast.

Per the North Carolina Aged, Blind, and Disabled Medicaid Manual, section MA-2230, resources are an important factor in determining Medicaid eligibility. Countable resources are compared to a limit established by federal law, and an applicant/beneficiary (a/b) is ineligible for Medicaid if countable resources exceed the resource limit.

Condition: Of the 96 case files examined, 1 of the case files contained Online Verification System (OVS) verification of the a/b having active North Carolina registrations (per the DMV section of the report) on vehicles that were not entered into NCFast and were not included in the a/b's total countable resources. Upon auditor re-determination, the applicant/beneficiary was found to be ineligible for Medicaid at the time of the tested item.

Cause: There was a lack of sufficient training of the eligibility requirements as defined in the approved State plan (42 CFR Section 431.10) and North Carolina Aged, Blind, and Disabled Medicaid Manual pertaining to resources due to turnover in the Department of Social Services (DSS).

**Swain County, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2018**

Effect: Ineligible applicant/beneficiary (a/b) received benefits.

Questioned Costs: \$11

Context: Of the 96 case files examined, we found 1 instance of noncompliance.

Identification of a repeat finding: This is a repeat finding from the immediate previous audit, 2017-003.

Recommendation: We recommend that the Department continue to provide more in-depth training for caseworkers regarding the NC FAST eligibility determination system and monitor whether training has been completed.

Views of responsible officials and planned corrective actions: The County agrees with this finding and will adhere to the corrective action plan on page 105 in this audit report.

U.S. Department of Health & Human Services

Passed-through the N.C. Dept. of Health and Human Services

Program Name: Medical Assistance Program (Medicaid; Title XIX)

CFDA # 93.778

Grant Number: XXXX

Finding: 2018-003

SIGNIFICANT DEFICIENCY

Reporting

Criteria: Day sheets must be maintained in accordance with the DSS Service Information System User's Manual. Since North Carolina elects to use 100% time reporting, it is of vital importance that workers complete day sheets as accurately and timely as possible. Appropriate and accurate recording of activities is absolutely necessary for Federal reimbursement.

Condition: We found variances between the time reported on day sheets and the time reported on time sheets submitted for payroll. It appears that employees are over-recording paid time off on the day sheets. Several day sheets tested in the sample accounted for more time than the employee had turned in on their daily time sheet.

Cause: The department does not have sufficient controls in place to ensure that day sheets are completed as accurately and timely as possible.

Effect: Failure to have proper day sheets or support for time entries may lead to error or inefficiencies in requesting reimbursement for the Program.

Questioned Costs: Unable to determine.

Context: 15% of the day sheets examined contained errors relating to noncompliance.

Identification of a repeat finding: This is not a repeat finding from the immediate previous audit.

Recommendation: We recommend that the Board implement procedures to ensure compliance with this regulation as it relates to federal programs, such as employees and supervisors more closely reviewing day sheets and time sheets.

Views of responsible officials and planned corrective actions: The County agrees with this finding and will adhere to the corrective action plan on page 105 in this audit report.

Swain County, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2018

U.S. Department of Health & Human Services

Passed-through the N.C. Dept. of Health and Human Services

Program Name: Medical Assistance Program (Medicaid; Title XIX)

CFDA # 93.778

Grant Number: XXXX

Finding: 2018-004

SIGNIFICANT DEFICIENCY

Reporting

Criteria: Day sheets must be Worker Certified in accordance with the DSS Services Information System User's Manual. Worker Certification Statement: After the worker completes all entries on the Daily Report, the form should be signed in the space at the bottom of the form to certify the accuracy and completeness of the information provided. This is a Federal requirement. Although not transmitted in the file uploaded to the State mainframe, this is still required for electronic versions of the Daily Report.

Condition: Several tested day sheets had a Worker Certification that had been conducted by the supervisor instead of the worker.

Cause: There was a misunderstanding of the requirements, due to an option in the electronic version of the Daily Report being that both a Certification and Approval could be made together with a single click. This however, does not satisfy the federal requirement as defined in the DSS Services Information System User's Manual that a separate Worker Certification and Supervisor Approval be made by, respectively, the worker and the supervisor.

Effect: Failure to have proper certifications of day sheets may lead to error or inefficiencies in requesting reimbursement for the Program.

Questioned Costs: Unable to determine.

Context: 10% of the day sheets examined contained errors relating to noncompliance.

Identification of a repeat finding: This is not a repeat finding from the immediate previous audit.

Recommendation: We recommend that the Board provide more in-depth training of the requirements as defined in the DSS System Information System Policy, particularly as it pertains to the Worker Certification Statement, and monitor the completion of training.

Views of responsible officials and planned corrective actions: The County agrees with this finding and will adhere to the corrective action plan on page 105 in this audit report.

IV. State Award Findings and Questioned Costs

Program Name: Medical Assistance Program (Medicaid; Title XIX)

Grant Number: XXXX

SIGNIFICANT DEFICIENCY: Finding 2018-002 also applies to State requirements and State Awards.

Program Name: Medical Assistance Program (Medicaid; Title XIX)

Grant Number: XXXX

SIGNIFICANT DEFICIENCY: Finding 2018-003 also applies to State requirements and State Awards.

Program Name: Medical Assistance Program (Medicaid; Title XIX)

Grant Number: XXXX

SIGNIFICANT DEFICIENCY: Finding 2018-004 also applies to State requirements and State Awards.

**Board of Commissioners**

Ben Bushyhead, Chair
Danny Burns, Vice-Chair
Roger Parsons, Member
Kenneth Parton, Member
Kevin Seagle, Member

Clerk to the Board
Cindi C. Woodard
c_woodard@swaincountync.gov

50 Main Street
P.O. Box 2321
Bryson City, NC 28713

County Manager

Kevin S. King
k_king@swaincountync.gov

Telephone: (828) 488-9273
(828) 488-2600
Fax: (828) 488-2754

Corrective Action Plan For the Fiscal Year Ended June 30, 2018

II. Financial Statement Findings**Finding 2018-001**

Name of contact person: Kevin King, County Manager and Dean Kowal, Finance Officer

Corrective Action: The County is in the process of examining the systems and processes in place regarding financial reporting. Management is implementing policies to strengthen existing controls. County Management and the Board are working to develop and incorporate measures to ensure that the data is collected, reconciled, reviewed and reported accurately. Accounting personnel continue to receive training in governmental accounting. Management is confident this finding will be corrected by the end of the next fiscal year.

Proposed Completion Date: Ongoing

III. Federal Award Findings and Questioned Costs**Finding 2018-002**

Name of contact person: Sheila Sutton, Director of Social Services

Corrective Action: The Department will continue to provide more in-depth training for caseworkers regarding the NC FAST eligibility determination system and monitor whether training has been completed.

Proposed Completion Date: Ongoing

Finding 2018-003

Name of contact person: Sheila Sutton, Director of Social Services

Corrective Action: The Department will implement procedures to ensure compliance with this regulation as it relates to federal programs, such as employees and supervisors more closely reviewing day sheets and time sheets.

Proposed Completion Date: Ongoing

Finding 2018-004

Name of contact person: Sheila Sutton, Director of Social Services

Corrective Action: The Department will provide more in-depth training of the requirements as defined in the DSS System Information System Policy, particularly as it pertains to the Worker Certification Statement, and monitor the completion of training.

Proposed Completion Date: Ongoing

IV. State Award Findings and Questioned Costs

See above corrective action for Finding 2018-002 through 2018-004.

**Board of Commissioners**

Ben Bushyhead, Chair
Danny Burns, Vice-Chair
Roger Parsons, Member
Kenneth Parton, Member
Kevin Seagle, Member

Clerk to the Board
Cindi C. Woodard
c_woodard@swaincountync.gov

50 Main Street
P.O. Box 2321
Bryson City, NC 28713

County Manager

Kevin S. King
k_king@swaincountync.gov

Telephone: (828) 488-9273
(828) 488-2600
Fax: (828) 488-2754

Summary Schedule of Prior Year Audit Findings For the Fiscal Year Ended June 30, 2018

Finding 2017-001

Status: The audit report in which the finding occurred was issued after a good portion of the current fiscal year was underway. Therefore, it was difficult for the County to implement many improvements before the end of the current fiscal year. Since all areas of this finding were not corrected, this continues to be a finding for the current fiscal year.

Finding 2017-002

Status: Corrected

Finding 2017-003

Status: For the current fiscal year this finding is still an issue for the County, however, improvement was noted. The Finance Officer of the County remains in close contact with the DSS Director to monitor progress in all areas of DSS fiscal oversight. At this point, the case will be re-evaluated and terminated or placed in the appropriate aide category.

Finding 2017-004

Status: Corrected

Finding 2017-005

Status: Corrected

Swain County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2018

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Passed- through to Subrecipients	Local Expenditures
Federal Awards:						
<u>U.S. Department of Agriculture</u>						
<u>Food and Nutrition Service</u>						
Passed-through the N.C. Department of Health and Human Services:						
Division of Social Services:						
Administration:						
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	XXXX	\$ 179,719	\$ 41,093	\$ -	\$ 138,626
Passed-through the Office of State Budget and Management:						
Forest Service Schools and Road Cluster						
Schools and Roads - Grants to States and Counties	10.665	XXXX	9,024	-	-	-
<u>National Institute of Food and Agriculture</u>						
Passed-through North Carolina State University:						
Cooperative Extension Service	10.500	XXXX	175,147	-	-	-
Passed-through the N.C. Department of Health and Human Services:						
Division of Public Health:						
Administration:						
Special Supplemental Nutrition Program for Women, Infants, & Children	10.557	XXXX	71,004	-	-	-
Total U.S. Department of Agriculture			434,894	41,093	-	138,626
<u>U.S. Appalachian Regional Commission</u>						
Passed-through N.C. Department of Commerce:						
Appalachian Regional Commission	23.002	XXXX	12,938	-	-	-
Total U. S. Appalachian Regional Commission			12,938	-	-	-
<u>U.S. Department of Homeland Security</u>						
Passed-through N.C. Department of Public Safety:						
Division of Emergency Management						
Flood Mitigation Assistance	97.029	XXXX	138,290	-	-	-
Total U. S. Department of Homeland Security			138,290	-	-	-
<u>U.S. Department of Health & Human Services</u>						
Passed-through the N.C. Department of Health and Human Services:						
Division of Social Services:						
<u>Temporary Assistance for Needy Families (TANF) Cluster</u>						
TANF - Work First	93.558	XXXX	185,887	-	-	72,637
Total TANF Cluster			185,887	-	-	72,637
<u>Foster Care and Adoption Cluster</u>						
Foster Care - Title IV-E	93.658	XXXX	400,213	134,589	-	142,760
Adoption Assistance	93.659	XXXX	2,990	2,006	-	984
Total Foster Care and Adoption Cluster			403,203	136,595	-	143,744
Promoting Safe and Stable Families	93.556	XXXX	25,198	-	-	207
Child Support Enforcement	93.563	XXXX	203,234	-	-	104,696
Low-Income Home Energy Assistance:						
Administration	93.568	XXXX	8,595	-	-	-
Energy Assistance Payments	93.568	XXXX	53,369	-	-	-
Crisis Intervention Program	93.568	XXXX	51,939	-	-	-
Total Low-Income Home Energy Assistance			113,903	-	-	-
Chafee Foster Care Independence Program	93.674	XXXX	6,626	1,656	-	-

Swain County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2018

Grantor/Pass-through <u>Grantor/Program Title</u>	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Passed- through to Subrecipients	Local Expenditures
Refugee and Entrant Assistance - State Administered Program	93.566	XXXX	41	-	-	-
Stephanie Tubbs Jones Child Welfare Services Program:						
Permanency Planning - Families for Kids	93.645	XXXX	(486)	-	-	(162)
Total Stephanie Tubbs Jones Child Welfare Services Program			(486)	-	-	(162)
SSBG - TANF Transferred to Social Services Block Grant	93.667	XXXX	26,468	-	-	-
SSBG - Other Service and Training	93.667	XXXX	118,190	29,482	-	21,712
Total Social Service Block Grant			144,658	29,482	-	21,712
Division of Child Development and Early Education:						
Subsidized Child Care Cluster(Note 3)						
<u>Child Care Development Fund Cluster:</u>						
Division of Social Services:						
Child Care Development Mandatory and Match Fund - Administration	93.596	XXXX	86,667	-	-	-
Total Subsidized Child Care			86,667	-	-	-
Division of Child Development:						
Child Care and Development Fund - Discretionary	93.575	XXXX	(5,988)	-	-	-
Child Care and Development Fund - Mandatory	93.596	XXXX	(87)	-	-	-
Child Care and Development Fund - Match	93.596	XXXX	5,840	18,558	-	-
Total Child Care Development Fund Cluster			86,432	18,558	-	-
Temporary Assistance for Needy Families	93.558	XXXX	(13,609)	-	-	-
Foster Care - Title IV-E	93.558	XXXX	-	-	-	4,095
TANF-MOE		XXXX	-	1,103	-	-
Total Subsidized Child Care (Note 3)			72,823	19,661	-	4,095
Passed-through the N.C. Department of Health and Human Services:						
Division of Medical Assistance:						
Division of Social Services:						
Administration:						
Medical Assistance Program	93.778	XXXX	566,186	55,685	-	174,047
Total Medical Assistance Program			566,186	55,685	-	174,047
Division of Social Services:						
Administration:						
State Children's Insurance Program - N.C. Health Choice	93.767	XXXX	23,138	6	-	-
Total State Children's Insurance Program - N.C. Health Choice			23,138	6	-	-
Passed-through the N.C. Department of Health and Human Services:						
Division of Public Health:						
Hospital Preparedness Program (HPP) and Public Health						
Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	XXXX	30,203	-	-	-
Well-Integrated Screening and Evaluation for Women Across the Nation	93.094	XXXX	6,930	-	-	-
Tuberculosis Demonstration, Research, Public and Professional Education	93.116	XXXX	50	-	-	-
Family Planning Services	93.217	XXXX	22,151	-	-	-
PPHF Capacity Building Assistance to Strengthen Public Health						
Immunization Infrastructure and Performance financed in part by						
Prevention and Public Health Funds	93.539	XXXX	6,938	-	-	-
Temporary Assistance for Needy Families	93.558	XXXX	2,745	-	-	-
Cancer Prevention and Control Programs for State, Territorial and Tribal						
Organizations financed in part by Prevention and Public Health Funds	93.752	XXXX	510	-	-	-
Preventive Health and Health Services Block Grant						
funded solely with Prevention and Public						
Health Funds (PPHF)	93.758	XXXX	39,984	-	-	-
Cancer Prevention and Control Programs for State,						
Preventive Health Services, Sexually Transmitted Diseases Control Grants	93.977	XXXX	692	-	-	-
Territorial and Tribal Organizations	93.898	XXXX	3,060	-	-	-
Maternal and Child Health Services Block Grant	93.994	XXXX	45,063	33,801	-	-
Total U.S. Department of Health and Human Services			1,902,737	276,886	-	520,976

Swain County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2018

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Passed- through to Subrecipients	Local Expenditures
Total federal awards			2,488,859	317,979	-	659,602
State Awards:						
<u>N.C. Department of Administration</u>						
Veterans Service		XXXX	-	2,175	-	-
Total N.C. Department of Administration			-	2,175	-	-
<u>N.C. Department of Health and Human Services</u>						
Division of Aging and Adult Services						
Division of Social Services						
State Foster Home		XXXX	-	60,371	-	45,441
Family Preservation Services Program		XXXX	-	-	-	57,668
Foster Care at Risk Maximization		XXXX	-	20,586	-	3,969
SFHF Maximization		XXXX	-	18,468	-	3,930
County Funded Service		XXXX	-	-	-	654,765
Total Division of Social Services			-	99,425	-	765,773
Division of Public Health						
Food and Lodging Fees		XXXX	-	5,658	-	-
General Aid to Counties		XXXX	-	98,236	-	-
General Communicable Disease Control		XXXX	-	10,535	-	-
Child Health		XXXX	-	6,092	-	-
Family Planning - State		XXXX	-	8,434	-	-
Maternal Health		XXXX	-	2,150	-	-
Women's Health Service Fund		XXXX	-	5,563	-	-
Gonorrhea Partner Services		XXXX	-	190	-	-
HIV/STD - State		XXXX	-	500	-	-
STD Drugs		XXXX	-	38	-	-
Breast and Cervical Cancer Control		XXXX	-	4,845	-	-
Tuberculosis		XXXX	-	2,260	-	-
Total Division of Public Health			-	144,501	-	-
Total N. C. Department of Health and Human Services			-	243,926	-	765,773
<u>N.C. Department of Insurance</u>						
Seniors' Health Insurance Information Program		XXXX	-	2,809	-	-
Total N.C. Department of Insurance			-	2,809	-	-
<u>N.C. Department of Public Safety</u>						
Governor's Crime Commission			-	23,077	-	-
Division of Juvenile Justice and Delinquency Prevention						
Juvenile Crime Prevention Programs		XXXX	-	65,395	65,395	-
Total N.C. Department of Public Safety			-	88,472	65,395	-
<u>N.C. Department of Transportation</u>						
Rural Operating Assistance Program (ROAP)						
- ROAP Elderly and Disabled Transportation Assistance Program		XXXX	-	6,680	6,680	-
- ROAP Rural General Public Program		XXXX	-	50,896	50,896	-
- ROAP Work First Transitional - Employment		XXXX	-	46,688	46,688	-
Total ROAP Cluster			-	104,264	104,264	-
Total N.C. Department of Transportation			-	104,264	104,264	-
Total State awards			-	441,646	169,659	765,773
Total federal and State awards			\$ 2,488,859	\$ 759,625	\$ 169,659	\$ 1,425,375

Swain County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2018

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Passed- through to Subrecipients	Local Expenditures

Notes to the Schedule of Expenditures of Federal and State Financial Awards:

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of Swain County under the programs of the federal government and the State of North Carolina for the year ended June 30, 2018. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of Swain County, it is not intended to and does not present the financial position, changes in net position or cash flows of Swain County.

Note 2: Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: Indirect Cost Rate

Swain County has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 4: Cluster of Programs

The following are clustered by the NC Department of Health and Human Services and are treated separately for state audit requirement purposes: Subsidized Child Care and Foster Care and Adoption.